PUBLIC UTILITY INDUSTRY FEATURED IN THIS ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 187 Number 5752 | New York 7, N. Y., Thursday, June 19, 1958 | Price 50 Cents a Copy

EDITORIAL

As We See It

Almost two decades have passed since World War II brought an end to the Great Depression which the New Deal had vainly tried to terminate for more than a half-decade. A very large part of the labor force of the nation today has no more than a second-hand impression of the hardships of the extensive unemployment prevalent throughout most of the 'Thirties. In the present recession, unemployment insurance and some other programs have tempered the rigors of such unemployment as has actually developed. In point of fact, thanks largely to what are known as "transfer payments"—that is payments unrelated to work performed currently—the personal income of individuals has suffered very little during the slack months that have passed and is now expected to improve in the months immediately ahead.

But "unemployment" has become a sort of *bete noire* to the public mind, and the people have been so often told that it is not to be and will not be tolerated that it is natural enough, perhaps even inevitable, that in the minds of the politicians at least it is a condition equivalent to preventable disaster. So it was at the end of World War II when the so-called full employment act was being formulated which commits the nation to the prevention of widespread unemployment. Strangely enough, full employment is regarded apparently as synonymous with some sort of economic millennium—and that despite the fact that it is in the poorest and most backward countries that full employment is perpetual.

Naturally, perhaps, the differences of opinion as to how unemployment is to be prevented in

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Capital Requirements in An Inflationary Era

By LLOYD D. BRACE*

President, The First National Bank of Boston, Boston, Mass.

Presaging factors determining difficult financing problems ahead for those seeking capital are delineated by Boston banker who advises utilities to (1) raise capital early enough—to at least temper some of the stresses which may be expected to make themselves felt and (2) invest in added capacity on a counter-cyclical investment spending basis. Mr. Brace particularly explains why inflationary environment will be with us and then supplies data showing capital needs will tend to exceed supply, marked by return to higher interest rate level. Sees utilities entering financial markets for roughly $25 billion in next eight years, compared to $16 billion total capital raised in past 12 years, and projects $550 billion G. N. P., in 1957 dollars, by 1965.

In a period that seems to be either a recession or a depression, depending upon who is speaking, it may seem strange that a discussion on capital requirements of the utility industry should stress the inflationary potential. But if I may be allowed to define my terms and develop my reasons, perhaps you will join in the conclusion that present circumstances are not likely to persist. Over the next seven to 10 years, or roughly up to 1965, the period which I should like to consider, I have no serious worry of inflation in the sense that our currency would become valueless or that the printing press would be turned on full steam. I am thinking rather of the persistent and steady erosion of the purchasing power of our dollar over the last two decades — a trend which is continuing even now at a time when our economy is softer than many would

Lloyd D. Brace

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*An address by Mr. Brace before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 10, 1958.

Obligations and Challenges To Electric Utility Industry

By J. W. McAFEE*

Retiring President, Edison Electric Institute
President, Union Electric Company

Electric utility industry's spokesman looks 21 years ahead into future electric needs and developments, reviews remarkable past record, and depicts for 1958 a record construction in year of 15¾ million kilowatts at an investment of about $4 billion. In the Centennial year of Edison's electric light, 1979, Mr. McAfee visualizes exhilarating prospects of 665 million kilowatts, plant investment of $221 billion and $50 billion in revenue which, in other words, would exceed 1957 performance from five to six times. Stresses underlying foundation of free enterprise in all these projects, the need to place public power on an equitable competitive basis with private power.

I believe that a form of New England conscience has begun to show itself throughout the nation, and I view it as a very healthy sign. Americans everywhere seem to be looking with new eyes at what they are doing in science, education, defense, government, economic progress, and other important aspects of their lives which too often they have been content to take for granted.

J. W. McAfee

Further, they are demanding evidence of vigorous, constructive thought and action to achieve new high levels of American accomplishments. And I think that more and more there is detectable on the part of many individuals a determination to meet their own obligations in the American tradition and to face courageously challenges of a scope and complexity never before encountered. In line with this spirit of examination and evaluation, I look upon

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*An address by Mr. McAfee before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 9, 1958.

PICTURES IN THIS ISSUE: Candid photos taken at BOND CLUB of NEW YORK 34th Annual Field Day and MUNICIPAL BOND CLUB of NEW YORK Annual Meeting and Outing appear in Today's PICTORIAL SECTION.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Ralston Purina Co.—E. Ted Boll, Investment Analyst, Yates, Heitner & Woods, St. Louis, Mo. (Page 2)

Emhart Manufacturing Co.—Herman Borchardt, Director of Research, Sutro & Co., San Francisco, Calif. (Page 2)

E. TED BOLL

Investment Analyst, Yates, Heitner & Woods, St. Louis, Mo.
Members New York Stock Exchange

Ralston Purina Company

Chicken-feed and hog-feed are two items which many investors may easily overlook in searching for sound and conservative investment values; but these large-tonnage items and several similar items in animal feeding and grain processing have combined to make Ralston Purina Company, located on Checkerboard Square in St. Louis, one of the outstanding success stories in American industry, as well as in the investment field.


E. T. Boll

Most urbanites, who really have an occasion to use either chicken-feed or hog-feed, do not realize that the company dates back to 1894, when the two founding fathers carefully mixed various types of grains to provide horse and mule feed for farmers up and down the Mississippi River. Little did these great entrepreneurs realize that a little over a half century later, total sales would amount to almost a half billion dollars. The actual sales total for the fiscal year ended Sept. 30, 1957, was $438 million—an all-time high for the company. The current rapid growth of the company is indicated by comparison with the sales figure for the first full postwar year, when sales at that time totaled only $160 million.

Many individuals instantly recognize the red and white checkerboard design package, which is a familiar sight throughout the land; but few realize the magnitude of the business. Total assets amounted to $178,879,000 at the last fiscal year-end. There are actually five major divisions of the company. These include: Purina Chows, Ralston cereals, sanitation and farm supplies, soy-bean processing and grain merchandising. Each of these divisions operated profitably during the last fiscal year.

The chow division represents the most important phase of the business, and is presently establishing new records in tonnage sold. Latest sales figures for May indicate another new record of over 400,000 tons for the month. March and April sales were also over the 400,000 ton level, and this is the first time in the history of Ralston Purina that sales were maintained at this level for three consecutive months. In fact, April sales established the first time that the 400,000 ton mark was duplicated in successive months.

The success of this division is more readily understood after one has had an opportunity to visit the huge research farms located at Gray Summit, Missouri, near St. Louis. This research farm, one of six, contains 778 acres. On this farm alone, practically every type of animal agriculture is tested and researched. In addition, the company each week brings in its dealers from a wide area, who are able to see and learn at first hand the progress being made at the research farm, and enables them to more successfully represent and sell the company's products in their respective areas.

Perhaps one of the more important factors in connection with the company's favorable sales trend which non-agricultural people are apt to overlook is the fact that farm profits from animal agriculture continue high. Hog prices are running at the highest winter level in four years, and early year cattle prices are the highest since 1952. Prices for checkens are holding up surprisingly well, despite large production increases. Egg prices are well above a year ago. The current recession in business has not been felt to any measurable extent in the price of animal agriculture products. Still another favorable factor for Ralston Purina has been the rather severe winter weather in many areas of the country. This has accounted for additional sales of various types of feeds.

Many individuals who are unfamiliar with agricultural practices may be generally unaware of the rapid strides being made in scientific stock and poultry feeding. As an illustration, the average hen today lays 45% more eggs than 15 years ago; beef cattle are yielding 40% more beef, and of better quality than 15 years ago—all as a result of balanced diets of livestock and poultry, or simply correct feeding methods, largely developed and sponsored by the company.

To those who are in search of investments which offer favorable long-term growth prospects, the common stock of Ralston Purina appears to me to hold such prospects over the next ten years when related to the huge growth in population anticipated during that period. It is reported that the average person in the United States alone each year consumes approximately 350 eggs, 160 pounds of red meat, 30 pounds of poultry and 750 pounds of milk, or its equivalent in cheese, ice cream and butter. To produce these products requires about 1,500 pounds of balanced rations for feeding poultry and livestock. If you multiply these 1,500 pounds of feed by three million — the population increase last year — you arrive at 2,250,000 tons of annual feed as the increased amount necessitated by one year's population growth. By compounding these figures over a ten-year period, it appears reasonably logical to assume that the sales curve for Ralston Purina should trend sharply upward over the years immediately ahead, particularly in view of the company's dominant position in the industry.

Earnings for the company also are pointing upward, and in the last fiscal year ended Sept. 30, 1957, net earnings of more than $14 million equalled $2.28 a share. For the six months ended March 31, 1958, net sales amounted to $238,759,000, or 8½% above a year ago. Net income totaled $8,012,000 and equalled $1.25 per common share. This represents a gain of 4% over a year ago. In view of the factors outlined above, it is estimated that net income for the current fiscal year should be well above that of the previous year and cover the 25 cents quarterly dividend by a wide margin.

At the last fiscal year-end, the current position of the company was strong, with total current assets exceeding total current liabilities by a ratio of approximately 4 to 1. The capitalization consists of long-term debt of only $28 million and 6,421,162 shares of $5 par common stock. There is no preferred stock outstanding. The common stock is actively traded in the Over-the-Counter Market, and presently sells in the area of between $29 to $32 per share.

HERMAN BORCHARDT

Director of Research
Sutro & Co., San Francisco, Calif.

Emhart Manufacturing Co.

When one encounters a successful company with a diversity of products, each with intriguing growth possibilities, plus a management endowed with practical imagination and acquisitive tendencies, but with feet firmly on the ground, then it should be well worth investment consideration, given a reasonable market evaluation. Such a description would appear to fit Emhart Manufacturing Co. rather handily.


Herman Borchardt

The company was incorporated in 1922 as the Hartford Empire Co., and this producer of glass forming equipment is now one of Emhart's important divisions. At least two-thirds of the country's production of glass containers, now at a 142 million gross annual rate, are made on Hartford Empire machines. Comparing this figure with the 54.5 million gross of 1940, and reckoning with the trend to nonreturnable bottles, one can visualize some rather formidable production figures in the years ahead, calling for an attendant increase in machines on which to make them. When evaluating Hartford Empire, it must be remembered that it serves an international market as well, and competes in glass fields other than containers—tumblers for instance.

Approximately of equal importance is the Standard-Knapp Division, which turns out a complete line of automatic packaging machinery. These machines, one of Emhart's important contributions to the field of labor saving equipment, are completely automatic in doing the job of packing, gluing, sealing and labeling. Another development of this division's research is a machine for automatically weighing and packing bacon slices, now used by large meat packers, and with the potential of being used for other commodities.

Another contributor to the field of labor saving is the V & O Press Division, which produces machines for stamping out metal parts. V & O finds its markets in the aircraft, auto, electrical, and other leading industries.

Chances are good that most of the plastic squeeze bottles to be found in your medicine cabinet and kitchen were made by Plax Corp. This leader in the field, is owned in equal shares by Emhart and Monsanto Chemical. Its ingenuity in finding new applications for plastic products molded

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The Challenges to Free Enterprise

By HON. STYLES BRIDGES*
U. S. Senator from New Hampshire

Expressing grave fears about the "insidiousness of the domestic brand of socialism that is enveloping us," Senator Bridges warns electric utility industry that it is on the front lines of defense against expanding government and would be the first to succumb unless present trends are reversed. The noted New Englander singles out the "fuzzy-minded liberal" and the "unthinking materialist" for instigating the growing misuse of the power to tax, transferring the functions of capital from private hands to the state, increasing control over the citizen's dwelling unit, and the possibility of greater control over education. Refers to work of present Administration to restore reason and balance in government; deplores TVA expansion and the state capitalism implications contained in proposed revenue bond law; inveighs against Federal atomic energy development; and sees no need to race USSR with Federal power projects.

It is well that we continuously re-emphasize the underlying spirit behind our Revolution—the love of independence and the refusal to accept any government action that was intolerable.


Sen. Styles Bridges

Today, our independence is faced with a double-edged threat. First, we have the military and ideological threat posed by Socialist Russia. And second, we have the internal threat from those who believe this nation should adopt its own version of socialism.

The Soviet Threat

I would like to comment on the current tendency of many to believe that Russia's communistic system is producing better results than we are under our system of freedom and liberty.

The Communist Party in Russia is dedicated to one single objective, and this is making the Russian state the most powerful in the world and the Communist Party the most dominant force in the world.

In measuring relative progress being made, we should be careful to use a yardstick that reflects the things the American people want out of life. In peacetime, our objective is the attainment of the maximum happiness for each individual with the individual himself deciding and seeking those things that mean happiness for him. So, our objectives are manifold.

If it's good housing the individual wants, good housing he gets. If it's automobiles, refrigerators, television sets, that's it. If it's art, culture, education, and libraries, that's it. If it's churches representing different faiths, that's it. And if it's the best military defense or offense in the world, that too is it.

During World War II, America showed what it could do when all its energies were directed to the single objective of winning that war. Any time we must concentrate upon a single objective, whether it be winning a war or preserving our freedom, have faith—have no fear—we will do it!

Two or three weeks ago, I read a news item in a Washington paper reporting a talk on freedom of the press made by that newspaper's managing editor. He said it was about time we realized that freedom of the press belongs to all the people. Well, I think it's about time we realized that this is also true of free enterprise.

Only through free enterprise can the people be certain that they get what they want, not what the government thinks they should have.

The Enemy From Within

We know there have been people deliberately plotting on behalf of the Soviet Union in our country. We have faced up to this threat and have done something about it. The Communists in our midst we must watch, but we believe we can handle.

What makes our problem more difficult is the fuzzy-minded liberal who thinks he is advancing the cause of humanity when he advocates more and more paternalistic government, when he votes for government controls, or when he votes for government to manufacture one of his basic needs.

The liberal is not alone, however. What of the unthinking materialist in our midst with no historical background to warn him what happens when a nation's people begin to live by the philosophy: "The country owes me a living"?

That attitude, of course, is not the American tradition. It wasn't charity that made our country great—nor a dole, nor a welfare state, nor government interference, nor socialism. Instead, it was achievement by the individual, and his pride in that achievement. It was the feeling of any man, however humble, that what others had done under free enterprice and free government, he could do.

We have come too far from that ideal. As a consequence, today in these United States we see a Federal bureaucracy growing to tremendous proportions. It is a Federal bureaucracy which robs people of their backbone by kindly offering to do things for them,

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*An address by Sen. Bridges before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 10, 1958.

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ABOUT THE ELECTRIC UTILITY INDUSTRY

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, June 19, 1958

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news, etc.).

Other Offices: 135 South La Salle St Chicago 3, Ill. (Telephone STate 2-0613).

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year, in Dominion of Canada, $68.00 per year. Other Countries, $72.00 per year.

Other Publications

Bank and Quotation Record — Monthly $45.00 per year. (Foreign Postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Prospects for Business Recovery And Moderating the Recession

By DR. GORDON W. McKINLEY*
Director of Economic and Investment Research
Prudential Insurance Company of America, Newark, N. J.

Prudential Insurance top economist believes we reached recession's low point either in April or May, and foresees $435 billion fourth quarter G. N. P.—$13 billion over first quarter, without a tax cut in June, and a $447 billion G. N. P. with a stronger recovery base if taxes are cut to increase purchasing power. Turning to what is viewed as a seriously neglected topic, Dr. McKinley attributes downturn to (1) consumers' significant shift in demand—at an earlier date than generally realized—commencing early in 1956, and (2) consumer income level that is only able to demand the output of full capacity so long as that income is supported by new plant-equipment expansion that does not come into operation. Author finds overexpansion of production beyond the level income can support stems from business being biased by demand, and that an unexpected cutback, for example, in government orders can touch off a downward cumulative decline. Proposes a formula to prevent disequilibrium between income and capacity, and disagrees with text books in placing consumer spending's importance ahead of investment spending.

My remarks will constitute an attempt to answer three questions about the current recession: (1) What caused the recession? (2) Has the bottom of the downturn been reached? (3) What is likely to happen to business during the remainder of the year?

Gordon W. McKinley

The first of these three questions—what caused the recession—is by far the most important, yet it is the question to which economists seem to devote the least amount of time. This avoidance of the crucial question is no doubt due partly to the fact that our employers and our usual audiences are not much interested in the past; they want to know what is going to happen in the future. Our reluctance is also due, however, to the fact that most of us are not quite sure what did cause the recession. We have a number of pat answers, but I am sure that the more we think about it the more we worry about our real understanding of the forces which cause the economy to take these periodic breathing spells. My attempt to answer this first question is therefore undertaken with due humility. I am attempting to answer it not because I am sure I know the answer, but because some explantation of the cause of the recession is a prerequisite both to an intelligent forecast of the future and an intelligent recommendation regarding government policy.

*An address by Dr. McKinley before the Forecasters Club of New York.

The immediate initiating forces in turning business activity downward are easier to spot than are the basic causes of the downturn. Looking back to 1957, it is clear that the forces which touched off the current business recession were (1) the decline in exports after Suez, (2) the cutback in government defense orders shortly after mid-year, and (3) the slow but steady decline in business purchases of durable equipment beginning in the second quarter of the year. Declines in these three types of spending or ordering preceded the downturn in Gross National Product and preceeded the beginning of inventory liquidation.

Although these three forces precipitated the recession, it is obvious that the small reduction in spending accounted for by these factors would not have been sufficient to produce a real recession had it not been that a basic imbalance had developed in the economy. From the first to the third quarter of 1957, spending on producers' durable equipment declined by only $.2 of a billion, and the rise in capital construction expenditures more than offset this minor decline. The fall in net foreign investment was only $.9 of a billion. The cutback in Federal Government purchase orders was more severe, but even this cutback would not have been sufficient to produce a recession in an economy which was not already prone to one.

Shift in Consumer Demand

We must search deeper for the basic cause of the recession. Up until now, I have held that the basic cause of the recession dated back to the beginning of 1956, at which time a pronounced shift occurred in the pattern of consumer expenditures — away from durable goods and toward non-durable goods and services. Following the consumer durable goods buying splurge in 1955 and in the first quarter of 1956, consumers abruptly lost interest in durables. Their expenditures on non-durables and services continued to move forward strongly all during 1956 and the first three quarters of 1957. In the third quarter of 1957, consumers were spending $20 billion more on non-durables and services than in the first quarter of 1956. This is more than a normal increase, so that the economy was not weakened by lack of support in this area.

But during the same 18 month period consumer expenditures on durable goods increased by only $.4 of a billion. Allowing for the intervening price rise, consumers actually lowered their purchases of durable goods during this year and a half. This meant that one whole segment of the economy was thrown into a recession long before the overall recession started, and the reason for this segmented recession was clearly the decline in consumer spending on durable goods.

Now one can go on, from this initial change in consumer spending, to build an explanation for the entire recession. Since plant, and even labor, is not easily shifted from one industry to an entirely different kind of industry, the change in consumer spending left idle capacity, idle labor, and rising inventories in one whole segement of the economy. It is true that the durable goods industry is not a big part of the economy. Durable goods, even in normal times, account for only about 13% of total consumer spending. But the durable goods industries normally lay off men very quickly following a reduction in demand for their products, they have a type of product it is difficult and expensive to warehouse, and they have a large capital investment. For these reasons, a fall in the demand for durable goods has a much more widespread effect than would, say, an equivalent decline in the demand for services.

As I say, one could therefore explain the whole recession in terms of the shift in consumer demand which first became apparent early in 1956. In the Prudential Business Forecast issued at the beginning of December last year we did, in fact, argue that this shift in demand was the basic and sufficient cause of the difficulties for which we were headed.

Today, I would still say that the shift in consumer demand was an important cause, but the more I think about it the more I become convinced that there was an even more basic cause—a cause which will reappear over and over in the future and will result in a recession every few years unless we take action to offset it.

Income vs. Output

This basic cause is that, as our economy moves out of a recession into a period of prosperity, a sequence of events invariably occurs which causes businessmen to over-estimate the demand for their products and thus to expand plant capacity beyond the level which the flow of incomes will support. A *general* over-capacity thus ensues, and there is an accompanying tendency for an excessive build in inventories. The stage is then set, with inventories high and capacity excessive, for some chance occurrence such as a cutback in government defense orders to touch off the whole cumulative process of inventory correction, layoffs, decline in incomes, decline in consumer expenditures, etc.

Now, there is nothing new about the idea of general over-capacity. Obviously, a recession must involve over-capacity. The real questions are "Why does the over-capacity develop?" "Why does the building of the new capacity not provide sufficient income to buy the increased flow of products?", and finally, "Will this sort of thing be repeated over and over in the future?".

I am not taking the position that businessmen are so stupid that they just don't know how to estimate demand. After all, it is we who estimate demand for them. It is true that some businessmen of the old school are given to very irrational actions as soon as a recession develops. But my argument is basically that a sequence of events inevitably occurs during a recovery from a recession which would lead even the soundest businessman and the most astute economist into believing that capacity should be expanded further, unless these businessmen and economists did some pretty careful thinking about the forces which were generating the demand for their products.

To explain what I have in mind let me use the recovery from the 1954 recession as an example. The recovery from the 1954 recession did not begin with an increase in capital expenditures. The notion that recovery from a business recession begins with a rise in business investment, which distributes more income, which encourages more consumer expenditures, is a notion which I hope is confined to economic textbooks since it is not an accurate description of the real world. Recovery began then, as it will begin in this recession, through a rise in consumer buying. As sales picked up, businessmen were of course encouraged to begin some new capital expansion, and this expansion aided the rise in consumer expenditures. The upward movement having once started, it tended to cumulate so that by the beginning of 1956, there was some difficulty in supplying the tremendous consumer demand.

Income Generated Needed But Not the Output

At this point in the recovery, it was logical for economists and businessmen to conclude that capital plant was not sufficient. Most industries were operating at very high per cent of capacity and consumer spending was still rising. It was at this point, however, that the mistake was made. The level of consumer incomes which made it possible to drive most industries close to capacity operation depended heavily on the plant expansion programs already underway. We were using a good portion of our labor force in producing plant which would not come into the market for some time, and thus were distributing incomes equal to the cost of this plant, and these incomes were all going over to bid for the output of existing plant. Putting it in another way, the level of consumer incomes was sufficient to drive plant to capacity at the beginning of 1956 only on the assumption that incomes would continue to be supported by plant and equipment expansion and that this new plant would never come into operation.

As long as capital expansion continued during 1956, consumer incomes were raised sufficiently to keep even the new plant coming into operation at a high per cent of capacity. But when most of the new capacity came onto the market in late 1956 it finally became apparent that there had been a rather general overestimation of the volume of demand.

If I were following the strictly orthodox explanation, I would say at this point that savings in the economy began to rise, with the result that consumer purchases fell, and over-capacity was the result. The fact is, however, that saving did not rise and consumer expenditures continued very strong. Aside from the shift in the pattern of consumer expenditures to which I referred earlier, the consumer was not the villian at all. It was not a sudden reduction in consumer buying, but a sudden realization that capacity had been overbuilt, which led to the decline in durable equipment buying and eventually to the inventory adjustment. The over-capacity of 1957 resulted from an out-and-out misjudgment dating all the way back to the beginning of 1956, and not to a subsequent shift in the consumer propensity to consume.

Capacity—Fiscal Policy Formula Enunciated

I have gone through all this somewhat laboriously not simply as an explanation of the present recession but because I want to set the stage for a policy recommendation. It seems to me that per cent of capacity should play a much larger role in guiding fiscal policy than it does at present. Suppose, for instance, that the fiscal authorities set 85% of average capacity as their principal guide. (I will assume also that better data are available so that some rough overall measure of capacity could be calculated.) Then as output generally moved above 85% in late 1955, personal income tax rates should have been raised. Theoretically, they should have been raised by the amount by which new capital investment was exceeding savings. In practical terms, let's just say that taxes were raised. If this action had been taken, consumer purchases would have been less, and businessmen would not have been led to undertake so grandiose an expansion of capacity. Taxes should then have been maintained at the

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Observations . . .

By A. WILFRED MAY

Those Blue Chips Now

The intensified popularity of the mutual funds together with the *so-called* paradoxical market-business situation highlights the status of the Blue Chips. Will the divergence between this growth-and-glamour sector of the market and those issues geared to measurable value data, which trend was analyzed in a major statistical study by one of the funds (the Lehman Corp., under Alexander Sachs) back in the 1930's, continue permanently? Whatever the answer, this divergence is emphatically still with us now, and will remain over the early future.

A. Wilfred May

While the investing community has been behaving with unusual logic over these recession months in buying into "the market" for the long-term future in disregard of intervening business fluctuations, its policy in issue selection is open to serious question. On the major premise of business recovery, early or postponed, on which the averages have advanced by 15% since October, would not the acquisition of issues whose earnings and prices have suffered such drastic cyclical declines be logical? Instead, the buying has been heavily concentrated in issues which are deemed "defensive" and/or promise "growth"—irrespective of vagueness regarding that intriguing term, or of disregard of the already sharply advanced price. In this way of escape from making tough decisions through buying the wonder stocks as IBM and Minnesota Mining at 40 to 50 times earnings, the professional and amateur alike are forgetting the disillusionment of past periods that followed the speculative frenzy's outrunning of the actual growth.

Does not these issues' vulnerability at their present recovered levels now perhaps imply a greater risk than is constituted by picking up the temporarily "under water" cyclicals?

Impact of the Funds

Our prediction of the near-term continuation of the concentration in Blue Chips, of both the growth and "good-management" types, is chiefly based on the impact from the growing stock market participation by mutual funds and other institutional investors. Motivated by their irresistible *window-dressing* compulsion, the expanding and newly formed funds, particularly the open-ends where constant selling of their own shares so severely subjects them to distributor-stimulated scrutiny and second-guessing are intensifying the *Blue Chip-ism.* Their favorite-ten still comprise Jersey, IBM, U. S. Steel, Gulf Oil, Amerada, du Pont, *et al.* Just this Tuesday a major fund publicly disclosed that half of the day's volume in briskly advancing du Pont consisted of its purchases.

In fact, the funds seem to be contributing to a kind of self-pyramiding operation. First the name stocks have risen because of the public's buying; then the funds buy them partly because of this prior popularization; next, the public buys additionally as shrewdly following the "wise-money" funds; again the public buys the funds because of their satisfactory performance with the Chips; and as the peak of the structure, the funds devote their incoming shareholders' subscriptions to renewed acquisition of the good-looking Chips.

Is this process perhaps suspect as too easy a way to fulfill the function of scientific investment management?

* * *

The Hecklers Heckled

Should we have meetings to end all meetings? At least this is partially proposed by Henry H. Heimann, Executive Vice-President of the National Association of Credit Men. For he is worried about the "professional hecklers who have no thought in mind other than a publicity-seeking venture or a browbeating mission, take up time and frequently cut off more important and sincere questions by making you feel management has been subjected to punishment and that your honest question might even be construed as another slap at management." He is further troubled over the machinations of the one-share stockholder in a number of companies who thereby gets a guided tour of stockholders' meetings, cutting down on his meal expense and acquiring a considerable assortment of consumers' goods "on the house"; with the "free groceries" (as the lunch is called) and/or the sample product constituting more than a normal return by way of dividends on the one-share investment.

To combat the hazing of management—and this shop-lifting—Mr. Heimann has some affirmative suggestions. In the Association's current *Monthly Business Review* he proposes that business management hold seminars on how to conduct a stockholders' meeting, particularly stressing efficient procedure to dispense with the disruptions. Obviously, he has lost patience with the prevalent new technique of strategic politeness, now so artfully practiced by presiding officers to appease those saviours of corporate democracy.

* * *

This column would welcome communications from our stockholder-readers evaluating the conduct of their articulate defenders at the annual meeting, and the services which they are so ardently rendering.

Henry T. Mathews With Walston & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Henry T. Mathews has become associated with Walston & Co., Inc., 201 South La Salle Street. Mr. Mathews who has been in the investment business in Chicago for many years has recently been with Reynolds & Co. and Kneeland & Co.

Henry T. Mathews

Lehman Corp. Reports Executive Elections

The Lehman Corp., 1 William Street, New York City, has announced that James B. Downing has been elected a Vice-President of the investment company. Heretofore Secretary-Treasurer, he will continue as Treasurer as well. Mr. Downing has been with The Lehman Corp. since its founding in 1929.

It was also announced that W. L. Williams has been elected Secretary, succeeding Mr. Downing in that capacity. Mr. Williams became associated with The Lehman Corp. in 1951.

Pension Planning Co. To Give Seminars

The Pension Planning Company, 625 Madison Avenue, New York City, will give a series of one-day seminars on pension and profit-sharing plans as follows:

July 10: New York City.
July 16: Newark, N. J.
July 17: Philadelphia.

Form International Fidelity

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — International Fidelity Corporation has been formed with offices at 818 Seventeenth Street, to engage in a securities business. Officers are Harlan W. Sloan, President; Phillip P. Pyles, Vice-President; and Louis S. Middlemist, Secretary.

Joins Ideal Securities Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Russell R. Hopkins has joined the staff of Ideal Securities Co., United States National Bank Building.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Steel production last week continued its upward climb, scoring its seventh consecutive rise. Furnaces were operated at 64% of capacity, up 3.5 points, based on utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons. Output was about 1,725,000 net tons or the highest of any week this year. According to "Steel" magazine, steelmakers are elated by June operations and sales reports but expect them to slump in July.

Construction is contributing its share to brighten the economic outlook by showing a seasonal increase in May to $4,100,000,000, preliminary estimates of the United States Departments of Commerce and Labor show. Volume for the first five months of this year amounted to $17,700,000,000, reflecting little change from the comparable year ago level. While a year-to-year gain during the cumulative period of 4% occurred in public construction, private outlays were down slightly.

In the automotive industry last week, despite the lack of a labor settlement, output of cars and trucks exceeded that of the prior week. Production of passenger cars in the United States advanced by 11.2% as the industry completed its two millionth automobile for the 1958 calendar year, "Ward's Automotive Reports" noted.

As for retail trade in the period ended on Wednesday of last week, spot estimates collected by Dun & Bradstreet, Inc., show that total dollar volume was from 3% below to 1% higher than a year ago.

The number of workers drawing unemployment compensation dropped for the seventh week in a row in the week ended May 31 to a total of 2,827,600, the lowest total since the first week in January, the United States Department of Labor reported.

Workers filing new claims for jobless pay numbered 321,600, a new low for 1958, in the week ended June 7. This represented a drop of 16,500 in the number of new claims from the preceding week. In the corresponding 1957 week, new claims numbered 218,100. The report on new claims is issued a week ahead of the one on total insured unemployment.

In the steel industry the June steel rush has been much bigger than expected. Both the mills and their customers have been caught off balance, states "The Iron Age," national metal-working weekly on Wednesday of this week.

It states that the mills were counting on a June spurt by consumers as a hedge against the expected price boost in July. But the volume of orders specifying June delivery has grown to unlooked-for proportions. As a result, some June business will carry over into July.

The metalworking weekly adds, the June boom apparently is due to a combination of price hedging and actual need due to low consumer inventories. Among those caught short are several of the auto companies. A lot of behind-the-scenes jockeying for preferred position on steel order books is now going on.

The situation poses problems for the mills. They are being badgered by their salesmen to step up production on the one hand, but on the other they are up against the problem of getting

Continued on page 62

From Washington Ahead of the News

By CARLISLE BARGERON

It is seldom that official and semi-official Washington has been in such a high state of titillation as it is over Sherman Adams' discomfiture. You will find in our callous ranks a lot of sympathy for Donald Dawson who was forced out of the White House in the Truman Administration for accepting, as I recall, the hospitality of a Miami Beach hotel; for Matt Connelly, Truman's Secretary, and Lamar Caudle, of the Department of Justice; even for poor old Harry Vaughn and countless others who rightly or wrongly have gotten hurt in the great game of politics.


Carlisle Bargeron

But in the case of Adams, nowhere do I find other than the highest glee. One reason is his holier than thou attitude, but mostly it is because he has been so hard-boiled and cold-blooded. My own reaction is one of amazement that he would be gracious enough to accept a gift even if it were tendered on his birthday. I have never enjoyed a close association with the gentleman but I would have, if caught in his company, be restrained from offering him a cigarette.

Members of Congress and Senators who sought to see him are getting a tremendous kick out of the ease with which New England industrialist Bernard Goldfine got to see him and the resultant unhappiness it has brought him.

There is no doubt that Goldfine is quite a citizen. I am assured by members of the New England delegation in Congress that without his industry and energy New England would be in an awful fix today. There is no reason why a man of his stature should not have been able to see Adams and the President. And official and semi-official Washington see nothing irregular in the fact that he has given presents to New England Senators and Governors. On one occasion he even called a New England conference of Governors to discuss the depression and picked up the whole tab.

But the fact that Adams accepted his generosity causes an outbreak of laughter wherever it is discussed. His subordinates at the White House are almost afraid to accept a dinner engagement. They have to be on the job promptly at 8 o'clock in the morning; if they are 15 minutes late from luncheon they are taken to task and Adams' way of taking a subordinate to task is something that only a case-hardened man can stand. An explanation is that he is completely dedicated to the President's welfare; no more dedicated public servant ever lived I am assured.

However, if Eisenhower has a great trust in him and a deep appreciation of him he is a pain in the neck to everybody else. Certainly this is the impression he has created. Conceivably it could be a false one, that back of his severe manner is a heart of gold. A biographer, though, would have to dig mightly deep to find it.

I know a man who once visited Adams when he was Governor of New Hampshire. He tells me that as if to put on a show Adams would call in his subordinates, cabinet officials and lesser servants and talk to them as few men talk to another. Men who have worked with him at the White House and left because they couldn't stand the gaff have attested to his severity.

How Eisenhower ever picked this Governor of a small state and placed him in the powerful position he occupies has long been a subject of speculation. Abler men in the original Eisenhower-for-President group have been shunted aside. Senator Frank Carlson of Kansas, seldom goes to the White House. He was an early Eisenhower intimate. Former Senator Joe Duff of Pennsylvania was another. Eisenhower did make a speech in favor of his reelection in 1956 but this seemed to be sort of an afterthought. Duff had seen him very little between 1953 and 1956. He was probably surprised when Eisenhower made the speech. Henry Cabot Lodge is doing a good job in the very honorable place of Chief Delegate to the United Nations but his contact is with John Foster Dulles. Yet he was one of the foremost Eisenhower boosters in the pre-convention and campaign days of 1952, one of those most responsible for Eisenhower's running.

Sherman Adams, the little man from the little state, is the one who got the position of unique and tremendous power at the elbow of the President. He made his bid early in 1952 when he led an Eisenhower ticket of delegates in a New Hampshire primary over Senator Bob Taft. Eisenhower's showing in this primary persuaded him to make the race. Adams, whose term as Governor was expiring, promptly moved into the Eisenhower campaign entourage and it was not long before visitors to the Eisenhower headquarters in Denver realized that he was cock of the walk.

I am not passing any comment on the merits of the political mess he is in. I am simply saying that everybody I have run into enjoys it thoroughly. In my perverse way I don't see what is the advantage of having power unless you have people bowing and scraping to you and bringing gifts. I know that Senators as a whole pretty much expect a hotel to compliment their bill and in more cases than not it is done.

One service the episode has rendered is that millions of people now know what a vicuna is.

Correction

In the *Financial Chronicle* of June 5th it was reported that Ansgar M. Christensen, who had previously conducted his own investment business in Glendale, had joined Quincy Cass Associates, Los Angeles. This was in error, due to our confusing Mr. Christensen and his father.

Ansgar M. Christensen, Jr., who established his own investment business in Glendale in 1955 as a dealer in over-the-counter securities, has not discontinued his business. Ansgar M. Christensen, Sr., his father, is now a registered representative with Quincy Cass Associates, which he joined in January 1957 as statistician. Mr. Christensen, Sr., was formerly associated with First California Co. for many years, later joining Kenneth Ellis & Co. in Phoenix.

Form DAC Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — DAC Securities Corporation has been formed with offices at 463 Logan Street to engage in a securities business. Officers are Richard S. Derryberry, President, Jack G. Padgett, Vice-President; and John G. Binkley, Secretary-Treasurer.

The Middle East and Oil Industry

By R. O. RHOADES*

Senior Vice-President, Gulf Oil Corporation

The lack of realization even within the oil industry, that we have lost our position of supremacy as a world petroleum power is made clear by Mr. Rhoades in examining our concept of self-sufficiency, condition of angry contradiction within the domestic oil industry, and crucial necessity to pursue resolutely our Middle East programs of expansion. The oil executive recapitulates growing number of firms and stockholders with foreign production holdings; labels Israel as the "greatest single cause of international trouble in the Middle East"; describes Nasser as a question mark; and doubts recent Italian and Japanese profit-sharing agreements will disturb older or future agreements.

During the last two decades profound and far-reaching changes have been taking place in the picture of the world's petroleum supply. Little recognized, even by many people within the oil industry itself, and still less well understood outside the industry is the fact that the United States has lost its position of supremacy in terms of world petroleum power. That position has been taken by the oil producing countries of the Middle East—a grouping of small nations embracing a predominantly desert area in the approximate middle of the Eastern Hemisphere.


Ralph O. Rhoades

The figures that spell out this long-term, significant shift of petroleum power away from the United States can be briefly stated. In 1938, the United States possessed 59% of all the oil reserves then known to exist in what is now the free world while the Middle Eastern share was only 17%. Today, the proportionate share of United States reserves has shrunk to 14% of free world supply, and those of the Middle East have grown to 71%. As most of you know, all estimates of petroleum reserves are subject to an indeterminate amount of error. In this situation, however, even if we allow for a substantial margin of correcton, the basic picture remains unchanged. For our own future and the future of the free world, the maintenance of access to Middle Eastern petroleum is becoming more and more important every day.

Here, in the United States, oil producers have for many years clung to the belief that, come what may, the domestic oil industry could always find new domestic reserves to replace the oil withdrawn and consumed each year. Over the years they have, to a creditable degree, proved themselves right. But in doing so they have drilled the surprising total of 1,749,000 wells since 1859. Of these, 458,000 were dry holes at the time of completion, and another 600,000 or so have been abandoned due to depletion. Although we still are finding a lot of oil, it takes no genius to recognize that so large a number of dry holes and abandoned wells greatly dispel any dream of long-term self-sufficiency.

No Major U. S. Oil Fields Found

In fact, the events of the past few years suggest that the time is here when the whole concept of self-sufficiency must be re-examined if we, the people of this nation, are to take the steps now that will prudently safeguard our future. During 16 years, from 1938 through 1953, an average of 2.87 new, major oil fields, which is to say discoveries of 100,000,000 barrels or more, were found each year. But, it would appear that not a single one of the fields discovered in the United States in the last four years will prove to be a major oil field.

This failure cannot be attributed to any lack of effort. On the contrary, through 1956 the amount of exploratory and drilling activity increased year by year until, in 1956, the domestic oil industry drilled the unprecedented number of 58,418 wells, or nearly 10,000 wells more than it did in 1953. Not only did this high level of activity fail to find a major new field, but the ratio of dry holes to the productive ones increased significantly. Over the last hundred years, among all wells drilled, about one in four proved dry. Over the past four years, among 219,550 wells drilled, one in two and a half was dry.

This kind of return, continued over a three- or four-year period, could scarcely fail to have a discouraging effect on domestic drilling activity, and, indeed, during 1957 the signs of that discouragement began to become evident. From the 1956 peak of 58,418 wells, drilling in 1957 fell off to 53,350. Of these, 20,156 were dry holes.

Since 1951, the domestic oil industry has found itself in the position of spending more and more per foot of hole drilled, while getting less and less oil per foot, and this has become particularly marked during the last four years. At the same time our domestic consumption has been rising steadily, while our ratio of reserves in terms of years of supply at current consumption rates has been declining. Should our domestic reserves in relation to demand continue to decline during the

Continued on page 56

*An address by Mr. Rhoades before the Semi-Annual Meeting of the National Petroleum Association, Cleveland, Ohio.

Interest Exempt from present Federal and New York State Income Taxes

New Issue

$49,000,000

State of New York

4%, 3%, 2¾%, 2.90% and 2% Housing (Serial) Bonds

Dated July 1, 1958 **Due $1,000,000 each July 1, as shown below**

Principal and semi-annual interest (January 1 and July 1) payable at the principal office of The Chase Manhattan Bank in New York City. Coupon bonds in denomination of $1,000, exchangeable for bonds registered as to principal and interest in denominations of $1,000, $5,000, $10,000 and $50,000. Registered bonds may be converted into coupon form at the expense of the holder.

Legal Investment for Savings Banks and Trust Funds in New York and certain other States and for Savings Banks in Connecticut and Massachusetts

Acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policy holders, and to the Superintendent of Banks in trust for Banks and Trust Companies

These Housing Bonds will constitute, in the opinion of the Attorney General of the State of New York, valid and binding obligations of the State, and the ***full faith and credit*** of the State of New York will be pledged for the payment of principal and interest.

MATURITIES, COUPON RATES AND YIELDS OR PRICES

Due	Rate	Yield	Due	Rate	Yield	Due	Rate	Yield or Price	Due	Rate	Yield or Price
1960	4%	1.00%	1967	4%	2.20%	1973	4%	2.60%	1982-83	2¾%	2.80%
1961	4	1.25	1968	4	2.30	1974	3	2.60	1984-85	2¾	2.85
1962	4	1.50	1969	4	2.40	1975	2¾	2.60	1986-87	2.90	@ 100
1963	4	1.70	1970	4	2.45	1976-77	2¾	2.65	1988-89	2.90	2.95%
1964	4	1.85	1971	4	2.50	1978-79	2¾	2.70	1990-98	3	@ 100
1965	4	2.00	1972	4	2.55	1980-81	2¾	@ 100	1999-2007	2¾	3.10%
1966	4	2.10							2008	2	Not Reoffered

(Accrued interest to be added)

Redeemable, at the option of the State, at par and accrued interest, on July 1, 1998, or on any interest payment date thereafter, all of such bonds then outstanding, or all of the bonds of a single maturity beginning in the inverse order of their maturity.

The above Bonds are offered when, as and if issued and received by us, and subject to prior sale and approval of legality by the Attorney General of the State of New York.

The Chase Manhattan Bank

Kuhn, Loeb & Co. **Chemical Corn Exchange Bank** **Blyth & Co., Inc.** **C. J. Devine & Co.** **Manufacturers Trust Company**

The Marine Trust Company of Western New York **Harris Trust and Savings Bank** **The Northern Trust Company** **Hallgarten & Co.** **Kidder, Peabody & Co.**

Ladenburg, Thalmann & Co. **R. W. Pressprich & Co.** **Salomon Bros. & Hutzler** **Barr Brothers & Co.** **Blair & Co.** Incorporated **White, Weld & Co.**

The Philadelphia National Bank **Carl M. Loeb, Rhoades & Co.** **Bear, Stearns & Co.** **Equitable Securities Corporation** **Hornblower & Weeks**

Mercantile Trust Company **W. H. Morton & Co.** Incorporated **F. S. Moseley & Co.** **Shields & Company** **Stone & Webster Securities Corporation**

Estabrook & Co. **Hemphill, Noyes & Co.** **Kean, Taylor & Co.** **Manufacturers and Traders Trust Company** Buffalo **Reynolds & Co.**

L. F. Rothschild & Co. **B. J. Van Ingen & Co. Inc.** **Adams, McEntee & Co., Inc.** **A. C. Allyn and Company** Incorporated **A. G. Becker & Co.** Incorporated

Francis I. duPont & Co. **Federation Bank and Trust Company** **First of Michigan Corporation** **Geo. B. Gibbons & Company** Incorporated

Gregory & Sons **The National Commercial Bank and Trust Company** of Albany **State Bank of Albany** **Spencer Trask & Co.** **Weeden & Co.** Incorporated

Bache & Co. **Baxter & Company** **Fidelity Union Trust Company** Newark **W. E. Hutton & Co.** **Schoellkopf, Hutton & Pomeroy, Inc.**

Ernst & Company **Laurence M. Marks & Co.** **Chas. E. Weigold & Co.** Incorporated **The Franklin National Bank** of Long Island

Glickenhaus & Lembo **Green, Ellis & Anderson** **Hannahs, Ballin & Lee** **New York Hanseatic Corporation** **Schwabacher & Co.**

Swiss American Corporation **J. R. Williston & Beane** **Wood, Gundy & Co., Inc.** **Malon S. Andrus, Inc.** **William Blair & Company**

Julien Collins & Company **Hayden, Miller & Co.** **The Peoples National Bank** of Charlottesville, Va. **Rauscher, Pierce & Co., Inc.**

Schmidt, Roberts & Parke **Sterling National Bank & Trust Company** of New York **Wachovia Bank and Trust Company** Winston-Salem

New York, June 18, 1958.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Energy Review—Latest developments in the industry—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Letter (No. 38) on growth of civilian nuclear projects, planned new uranium-milling capacity to be allocated by AEC, and developments affecting Algom and Pronto Uranium Mines—Atomic Development Mutual Fund, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Canadian Bank Index Theory—A new guide to Canadian investing—Draper Dobie & Company, Ltd., 25 Adelaide Street, West, Toronto 1, Ont., Canada.

Chemical & Pharmaceutical Price Indexes — Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Electric Utilities — Comparative study on 97 companies — Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Fire & Casualty Insurance Stocks—1957 earnings comparison—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Impact of Industrial Recession on Electric Utility Companies—Study—$25 per copy—Gregory & Sons, 72 Wall Street, New York 5, N. Y.

Inside Story of Outside Help — Booklet describing services — Ebasco Services Incorporated, Dept. V, 2 Rector Street, New York 6, N. Y.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Latest Field Report—Harris, Upham & Co., 120 Broadway, New York 5, N Y.

Marine & Fire Insurance Industry in Japan — Discussion in "Monthly Stock Digest" — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue is a review of Japanese business conditions and data on **Isuzu Motor Co., Nihon Cement Co., Mitsubishi Electric Manufacturing Co., Toyo Electric Manufacturing Co., Tokyo Gas Co.** and **Fuji Precision Machinery Co.**

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Pharmaceutical Industry—Survey and reappraisal—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Public Utilities Bulletin—Fortnightly letter on both listed and unlisted utility stocks—Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y.

Public Utilities Fortnightly—Magazine covering finance in all branches of the utility industry — descriptive brochure "Here's Proof" — Public Utilities Fortnightly, 332 Pennsylvania Building, Washington 4, D. C.

Recommended Investment Lists for income, growth and yield —Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Shamrock Oil & Gas Corp., Raytheon Manufacturing Co. and Twentieth Century-Fox Film Corporation.**

Securities of the United States Government—18th edition, including credit and debt management factors influencing the market; public debt of the U. S.; securities of government corporations and credit agencies and International Bank; the budget; ownership of the Public Dept.; factors affecting commercial banks; taxation of income from securities; prices and yields of treasury securities—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Stock Options—Booklet on how to use them—Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

Sulphur as an inflation hedge—Study—Filor, Bullard & Smyth, 26 Broadway, New York 4, N. Y.

"These Industries Chose the New Orleans Area" — Booklet describing the area served — New Orleans Public Service, Inc., Industrial Development Staff, 317 Baronne Street, New Orleans, La.

This is Blaw-Knox — Descriptive brochure on services and products—Blaw-Knox Company, 1231 Blaw-Knox Building, Pittsburgh 22, Pa.

Treasure Crest in the Growing West — Booklet on the area served—Utah Power & Light Co., W. A. Huckins, Business Development Department, Dept., 7, Salt Lake City 10, Utah.

Underground Wealth—Discussion of crude oil and natural gas reserves of major companies — in "Current Comments for Investors"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is an analysis of **Chicago, Rock Island & Pacific Railroad Company.** Also available is an analysis of the **Retail Trade Industry,** and a study of **Stock vs. Bond Yields.**

* * *

American Independent Reinsurance Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

American Motors—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Textron, Beaunit Mills** and **U. S. Freight.**

American Pipe & Construction Company—Report—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a memorandum on **California Packing Corp.**

Anglo American Exploration Ltd.—Circular—C. E. Stoltz & Co., 25 Broad Street, New York 4, N. Y.

Asamera Oil Corporation Ltd. — Bulletin — De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Micromatic Hone Corporation.**

Burroughs Corp.—Memorandum—H. Hentz & Co., 72 Wall St., New York 5, N. Y. Also available is a memorandum on **General Railway Signal Co.** and **Hoffman Electronics.**

California Water & Telephone Company — Annual report — California Water & Telephone Company, 300 Montgomery Street, San Francisco, Calif.

Canadian Curtiss Wright Limited—Circular—Lampard & Company Limited, 62 Richmond Street, West, Toronto 1, Ont., Canada.

Carborundum Company—Bulletin—Bache & Co., 36 Wall St., New York 5, N. Y. Also available is a bulletin on **Wagner Electric.**

Chemical Corn Exchange Bank—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Citizens Utilities Company—Analysis—Mitchum, Jones & Templeton, 650 South Spring Street, Los Angeles 14, Calif.

Commonwealth Life Insurance Co.—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Glasspar Co.—Memorandum—Sutro & Co., Van Nuys Building, Los Angeles 14, Calif.

Hartford Electric Light Company — Annual report — Hartford Electric Light Company, 176 Cumberland Road, Wethersfield, Conn.

Illinois Central Railroad Co.—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Interstate & Engineering Corp. — Memorandum — J. Barth & Co., 404 Montgomery Street, San Francisco 4, Calif.

Iowa Power and Light Company—Annual report—Iowa Power & Light Company, Des Moines 3, Iowa.

Minnesota Power & Light — Report — Sprayregen & Co., 26 Broadway, New York 4, N. Y.

Northern Pacific—Data—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo. Also in the some circular are data on **Deere & Co., ACF Wrigley Stores, Mississippi River Fuel, Anheuser Busch, Inc.** and **Stix, Baer & Fuller.**

Oklahoma Gas and Electric Company—Annual report—Oklahoma Gas and Electric Company, 321 North Harvey, Oklahoma City 1, Okla.

Owens-Illinois Glass—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **General Dynamics Corp.** and a study of **Fire & Casualty Stocks.**

Planet Corporation — Report — Hudson White & Company, Michigan Trust Building, Grand Rapids 2, Mich.

Southwestern Electric Service Company—Annual and quarterly reports—Southwestern Public Service Company, Mercantile Bank Building, Dallas, Texas.

Southwestern States Telephone Company — Annual report — Southwestern States Telephone Company, 300 Montgomery St., San Francisco, Calif.

West Coast Telephone Company—Annual report — West Coast Telephone Company, 300 Montgomery Street, San Francisco, Calif.

COMING EVENTS

In Investment Field

June 18-21, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

June 19, 1958 (Minneapolis-St. Paul)
Twin City Bond Club annual picnic and outing at the White Bear Yacht Club, White Bear Lake, Minn.

June 20, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at Overbrook Country Club, Radnor Township, Pa.

June 24, 1958 (Detroit, Mich.)
Securities Traders Association of Detroit & Michigan annual summer outing at the Lakepointe Golf Country Club.

June 27, 1958 (Detroit, Mich.)
Bond Club of Detroit annual summer outing at Lakepointe Country Club.

June 27, 1958 (New York City)
Investment Association of New York outing at Sleepy Hollow Country Club, Scarborough on the Hudson, Scarborough, N. Y.

June 27, 1958 (New York City)
Syndicats summer outing at Nassau Country Club, Glen Cove, L. I., N. Y.

June 27, 1958 (New York City)
Municipal Bond Women's Club of New York annual outing at Morris County Golf Club, Convent Station, N. J.

June 27, 1958 (Philadelphia, Pa.)
Philadelphia Securities Association annual outling at the Overbrook Golf Club, Bryn Mawr, Pa.

June 28, 1958 (Chicago, Ill.)
Security Traders Association of Chicago summer golf outing at the Woodridge Country Club, Lisle, Ill.

Aug. 21-22, 1958 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group IBA 24th annual summer frolic at the Columbine Country Club.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

With Mutual Funds Assoc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold G. Nahigian is now with Mutual Funds Associates Incorporated, 3780 Wilshire Boulevard.

Public Utility Securities

By OWEN ELY

Electric Utility Industry Continues to Forge Ahead

During the past year electric utility stocks have encountered wide market swings. As of May 31, 1957, Moody's average price of 24 electric power common stocks was 51.85, but by Oct. 25 it had declined 10% to 46.42, reflecting the drop in industrial issues as well as the rapid rise in money rates, which was considered adverse to utility earning power. At about this time, however, the Federal Reserve board began taking measures to lower money rates and the continued gains in earnings and dividend rates for many utilities, together with rate increases granted by state commissions, quickly dissipated investors' fears.

Moreover, as industrial activity continued to decline investment funds sought a safe haven in defensive issues, and utilities shared this quality along with tobaccos, drugs, chain stores, etc. Greater attention was paid to the "built-in safeguards" in utility earnings, with which many analysts had been familiar, but which had remained somewhat of a mystery to the average investor. Thus the market pendulum swung to the other extreme. The Moody average not only recovered the lost 10%, but has gained about an equal amount in addition, rising to 57.38 on June 6 — the highest since 1931.

Both the "growth" and the "yield" stocks have advanced together; the growth issues now again sell at about 19 or 20 times earnings, with yields of only about 2½-4%; and the yield stocks now afford a range of income of roughly 4½-6% contrasted with yields ranging between 5.5% and 7% last October. The average yield on the Moody group of high-grade issues dropped from 5.26% last October to 4.36% recently.

Electric utility output has held up quite well as compared with a year ago, the increase in residential and commercial sales substantially off-setting the decline in industrial. Thus in the week ended June 7 the Edison Electric Institute estimates that output was 1.1% over last year, although in some earlier weeks in April-May it had dipped about 2% under last year. Moreover, revenues are doing better than kwh output because of rate increases granted some companies, and also because the "demand" charges in industrial rate schedules help offset the decline in industrial business. In the month of March, latest avilable for these figures, the entire industry (including public as well as privately-owned utilities) showed an increase of 11.1% in residential kwh sales and 4.8% in commercial, while industrial business declined 5.7%.

Meanwhile the electric utilities have continued their heavy construction program, which is usually projected two to five years in advance, since electric generating equipment takes about two years to manufacture and install. As the end of April, U. S. capacity had reached 131 million kw nameplate rating with actual capability probably 5-10% greater. The gain over the previous year was 7.2% although for that month output was down 2.3%. Thus for the present at least the electric utilities have some excess capacity, though this might be needed in some cases where there is a sudden demand for air-conditioning during a heatwave. At any rate the extra reserve carries some offsetting advantages—the new and efficient equipment can be used more, and obsolescent plants less, than would normally be the case.

It must be admitted that the good earnings reports which some companies have been issuing have enjoyed special supports of a bookkeeping nature, such as (1) the interest credit on new plant not yet placed in operation, and (2) for companies which do not normalize them, special tax savings resulting from accelerated depreciation, which increase automatically every year (they began in 1954).

Regarding operating expenses, fuel is a very important item and in recent months the price of fuel oil has eased somewhat, following earlier increases. The supply of hydro power has also become more plentiful with the increased rainfall which occurred in many sections of the country. Thus in the month of January the cost of fuel for all Class A and B private utilities was 4.7% below the previous year, although in that month the sales of electricity were 1.5% higher.

Another favorable factor (especially for the southern utilities) has been the cold wave of the late summer and early spring. While the use of electricity for heating purposes is still in the early stages of development, nevertheless, this was a plus factor for some companies. Also, many electric companies also sell gas for house heating, and there was a more definite gain for these individual companies.

What about the future of the industry? The cost of obtaining new funds, which was such a bug-a-boo a year ago, is now considerably lower. For example, in May Aa bond issues cost only about 3.85% compared with 4.80-5% last August; and A-rated issues cost 4% or slightly more, compared with 5% to 6% last summer. In June last year two Baa issues and one A issue were offered on a 6% basis; two of these were gas pipeline issues and the third an electric utility which was not permitted by the FPC to use a non-callable feature.

Will the extra capacity being built up become a drag on the industry, because of the capital costs involved? The companies are fully aware of this possibility but are not too much concerned, since any recovery in industrial activity would quickly reduce surplus capacity to normal. However, as a safeguard and to balance their growing summer air-conditioning load, many aggressive utility managements are taking another hard look at the possibilities of house heating. The number of heat pumps (which heat in winter and cool in summer) is now increasing rapidly; Florida Power Corp. has about 2,000 on its lines. Schools are experimenting with electric heating and find it quite efficient for their special requirements. "Radiant heating" is being increasingly used; it's more efficient than resistance heating, since it heats only the air. Western Massachusetts Companies is experimenting with a cheap night rate, so that electricity can heat water after midnight (when there is little normal demand for current), the hot water being stored for heating purposes the next day. The heat pump is of course most efficient of all, but is expensive to install except in new homes where the cost is partly offset by omitting construction of chimney, furnace, etc.

A major factor in the improved sentiment for investment in utility stocks has been the more favorable attitude of some of the state commissions, particularly in California (some New England states are still rather niggardly). Where needed because of higher costs, the commissions have been willing to allow a rate of return slightly in excess of the standard 6%. However, both interest rates and fuel costs have now declined somewhat from last year's worst levels, so that the utilities may find it a little harder from here on to obtain increases (except in cases where other factors are important and/or earnings are obviously inadequate).

Summarizing, some recession from current price levels of utilities might occur, especially if investors should switch back to industrial issues, but the long pull outlook for the electric utilities still seems favorable so long as the industry maintains its dynamic growth and enjoys reasonable and sympathetic regulation by the commissions. However, it must be kept in mind that the utility industry remains somewhat at the mercy of politics both at the local and national levels. Political pressuring for unwarranted low rates, and political promotion of big tax-free public power producers such as TVA which have an unfair competitive advantage, could react unfavorably in future against utility earnings and prices, either individually or collectively.

D. H. Blair & Co. Formed in NYC

Formation of the firm of D. H. Blair & Co., 42 Broadway, New York City, with memberships on the New York and American Stock Exchanges is announced.

The new firm will conduct the money brokerage business heretofore performed by D. H. Blair & Co., Inc. for more than half a century, as well as engaging in all other activities of a member of the New York Stock Exchange. One of its important functions will be to provide financing for small- and medium-sized growth companies. The firm will act as specialists in the stocks of a number of leading corporations.

General partners of the new firm are Philip R. Egner, Hyman L. Federman, Herbert M. Iselin, Charles J. Miller, Robert W. Miller, Kenneth B. Ortmann, and Harold S. Stonehill, member New York Stock Exchange. Limited partners of the firm are Robert I. Cummin, Harry Janin, Sidney B. Lifschultz, Michael A. Miller and Louis P. Schrag.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert G. Kunz and James E. Nickelson have become associated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

The Shape of Things to Come

By RALPH J. CORDINER*
Chairman of the Board, General Electric Company
New York, N. Y.

$500 billion worth of electricity and one and one-quarter trillion dollars of electrical equipment in the next 20 years are foreseen by Mr. Cordiner on the basis of our growing population's expected electrical needs. The General Electric head asserts these—recessionary— times are best for extra marketing effort, capital improvement and expansion; previews some startling technical and business opportunities open to business by the 1980's; and, of the challenges ahead, singles out as the most difficult the achievement of political and economic conditions conducive to opportunities ahead. Doubts technological horizon will see rotating electrical generating equipment replaced by "home atomic battery"; finds no sales force in industry has better value to offer to consumers than does the electrical appliance one; discusses aggressive gas industry competition; and lays stress on need to channel long range atomic energy policy in the national interest.

In these days when Sputnik scares are followed by recession scares, and so many of our fellow-citizens seem to be overwhelmed by the problems of the day, it is inspiring to hear words of faith, challenge, work, and vision from the spokesman of a truly great industry. Your President's words are certain to have far-reaching effects because he speaks for an industry that has shown it can set high goals, and then exceed them.

R. J. Cordiner

The electric utility industry today is one of the most important sustaining and energizing forces in the economy of the United States. The sustained investments of the utilities in the recessions of 1949-50 and 1953-54 helped immeasurably in carrying the economy through those periods of adjustment, and the wisdom of your investments was justified by events. Today, as the nation passes through another period of uncertainty, the utility industry is once more a sustaining force, planning, investing, and building for the next great surge of national growth. Here indeed is private enterprise in its leadership role—realistic and farsighted, confident and mature.

I am happy to say that General Electric's estimates of the 20-year future are remarkably close to those set forth by Mr. McAfee, President, Edison Electric Institute. The margin of difference, where there is a difference, is within 10%. When one is looking ahead 20 years in a world of explosive change, that is not a significant variation.

A realistic evaluation of the data shows that the United States will need 665 million kilowatts of electric generating capacity by 1979, in contrast with this year's 135 million kilowatts. It will take on the order of 3 trillion kilowatt-hours of electrical energy to power a nation whose population will have passed the quarter-billion mark.

In terms of courage, investment, and work, such goals are stupendous. It is indeed fortunate that both the manufacturing and the utility sectors of the electrical industry have such close agreement about the challenge of the future because — to repeat an ancient truth—neither of us can succeed without the other. Working together not only as customer and supplier, but as partners in one of man's greatest adventures, we can reach and surpass these high goals.

Such a statement of faith must not be mistaken for careless optimism. All the arithmetic that went into these computations may be correct, but that does not necessarily mean that they represent the shape of things to come. They are only goals—high, hard, but achievable goals. They can only be won by sustained effort, pursued courageously through good times and bad.

A less sophisticated audience might believe, as it heard these distant goals set forth, that this is the outline of work for the next business generation. But that is not the case. The main patterns of today's electrical industry were fundamentally determined by decisions made, battles won, funds invested, facilities built, and research launched 10 or 20 years ago. In the same manner, the most important decisions of today's executives are those that will not be proven until late in the 1960's and 1970's. The shape of things to come is being determined now—in the executive offices, in the laboratories, in the market places, in the legislative halls, and in the minds and hearts of men.

Starting with this premise, my comments will be directed toward assessing trends in the laboratories, the marketplaces, and the legislative halls, to see what portents for the future they might present.

There would be little disagreement on the importance of the laboratories to the electrical future. Since its beginnings, the electrical industry has welcomed change and has invested millions of hard-earned profit dollars to bring it about. Today, the research and engineering activities of the electrical industry are a major factor in the nation's growth prospects.

It is true that the pace of scientific advance is being stepped up enormously, and there are some who are concerned lest a sudden breakthrough might unexpectedly make major, long-term investments obsolete. There is no evidence to support such unrealistic concerns.

Pace of Atomic Fission Progress

Consider the pace of progress in atomic fission, for example, which has been pressed forward by substantial expenditures from both private and government sources. The technical feasibility of power from atomic fission was proved by Dr. Fermi and his associates in 1942, with a laboratory reaction capable of producing a tiny amount of power. But to expand this tiny laboratory reaction up to a large-scale power plant capable of producing economical power has proved to be a long and expensive process. The important objective of economically feasible atomic power has not yet been reached, 16 years after the Fermi demonstration.

In the three and a half years since the passage of the 1954 Atomic Energy Act, industry has moved effectively toward establishing a base in development, design, manufacture, and use of power reactors. Now the industry effort is moving into a new era—one in which operating experience, meager as it is, can be analyzed. The results, based on five pioneer reactors now operating in the United States, are encouraging.

Currently, there are four large atomic power stations under construction in the United States, scheduled for completion in 1960. Thus, the experience gathered in the 1960's should make fission an economical supplement to fossil fuels, on a substantial scale, in the 1970's. (Mr. Lindseth's paper has more to say on this subject, but it must be mentioned in any review of the shape of things to come.)

With this perspective, what is the probable timetable for fusion power? It has yet to be proved that fusion power is technically feasible. To pass this significant milestone is the objective of tremendous research and development efforts in the period immediately ahead. From General Electric's studies, it appears that the late 1970's may find the first demonstration power plants of fusion power going into operation, just as the first fission plants are going into operation now. Thus, economical fusion power on a substantial scale would not be likely to make its appearance before the final two decades of this century.

Fission and fusion are undoubtedly the two principal long-term prospects for basic change in the technology of the utility industry. There are, however, many other technical possibilities which are being explored in the electrical laboratories, and which may be having appreciable effects in the year 1979. If space permitted, it would be interesting to explore the challenges presented by superconductivity, the fuel cell, semi-conductor converters of various kinds, the thermionic power converter, and the need for new methods of storing electrical energy. Solar energy has some genuine possibilities on a special-application basis.

Let me sum up this brief discussion of the long-range efforts in the laboratories with these few conclusions:

(1) The two most promising prospects, fission and fusion power, become more efficient and economical as the size of the power plant increases. That is to say, the so-called "home atomic battery" is not likely to replace the central power plant.

(2) New ways of doing things in the electrical industry are nevertheless inevitable and necessary, and research and development are proceeding on a scale never before imagined.

(3) Nothing on the technological horizon gives promise of replacing rotating machinery for generating electricity economically—not on a big scale or in the near future. Therefore the outlook for developments in turbine-generator technology is an important factor in planning for the immediate future.

Using Less Fuel Consumption

During the past half century, research and engineering have combined to produce turbine-generator systems that, on the average, use only about one-eighth as much coal per kilowatt-hour as did those first turbines which edged reciprocating steam engines right out of the picture. These improvements, toward which the entire electrical industry has contributed, have made electricity the American consumer's biggest bargain.

Over these 50 years, the reduction in fuel consumption per kilowatt-hour has averaged about 3% a year, compounded annually. During the period 1950 to 1955, the rate of improvement rose to a remarkable 5% a year, due mainly to a rapid increase in the average temperature, pressure, and size of units installed. Technically, however, it appears that genuine limits are being reached in what can be done with the available metals. Until some basic new knowledge is discovered, it appears that the increments of improvement in turbine-generator technology may be considerably smaller in the years ahead for those utilities that are already operating the largest-size machines. The company's scientists and engineers estimate that a reduction in fuel consumption per kilowatt-hour of perhaps 1 to 1½% a year is the best that can be expected in the next 10 years, on the average.

There are, of course, many utility companies which still have the opportunity of making rapid progress by installing the larger machines already available, and turbine-generators rated from 500,000 to 750,000 kilowatts will come into use in the 1960's. Increased interconnection and the trend to joint purchase and use of high-capacity machines, by several companies, will produce further advances in system economy.

On a nationwide basis, however, the advances in generating efficiency are not going to be enough to offset the inflation in your production costs, to anything like the degree that has existed in recent years. This leads to two clear conclusions:

(1) Unless the basic inflationary trend is halted, the health of your business and our business—indeed, the health of the nation's economy — may depend on winning public understanding of the need for a realistic reappraisal of the appropriate selling price for electricity.

(2) As never before, the electrical industry must assure tomorrow's progress by continuing its vigorous exploration of scientific opportunity and exploitation of technological gains.

My comments thus far have emphasized the production of electricity, but the laboratories are also exploring many new ways to distribute and use electricity. There is no time for details, but in the factory, in commerce, in the home, and on the farm, the emphasis in the coming decades will be toward more automatic equipment; toward the more imaginative and economical use of electronics; toward bigger blocks of power, with homes using the equivalent of today's small industrial and commercial establishments; and toward higher-voltage, higher-capacity transmission systems.

Experimental High Voltage

One of the most exciting projects in the electrical field is General Electric's newly announced extra-high voltage proj-

*An address by Mr. Cordiner before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 9, 1958.

ect — an experimental high-voltage transmission line to be built not far from the company's High Voltage Laboratory in Pittsfield, Mass. This three-phase transmission line over four miles long will have a rated system voltage of 650,000 volts, suitable for operation up to 750,000 volts. As you will recognize, this is a considerable advance over the highest previous voltage of American or foreign experimental lines. Knowledge and experience gained with the extra high-voltage project in the 1960's will lay a foundation for the operating transmission systems of the 1970's. To assure that this project will be of maximum value to the industry, we have approached the Edison Electric Institute to ask its cooperation in planning this work.

From this brief review of the prospects in the laboratories, it is clear that new knowledge, new products, and new processes are going to be essential to achieve the growth envisioned in Mr. McAfee's forecasts. These technical challenges can be met as long as the manufacturers which provide most of the industry's research and development have the volume and profit levels required to warrant—indeed, to stimulate—continued investment in scientific advance. One sometimes hears that the leading manufacturers expect a premium price in order to pay the cost of research. Actually, they can continue to offer their products at attractive prices, as they do now, and continue their research and development, as long as they have the volume of business required to keep production well above the break-even point. Such volume, on a steady basis, should enable them to earn the level of profits required to sustain their assault on the technical barriers of the future.

But the future is being determined not only in the laboratories. It is also being shaped in the marketplace.

Projects Changing and Growing Market

The character of the market is going to change dramatically in the next 20 years, and will offer new opportunities for everyone associated with the electrical industry. Rising levels of income and education, along with the sharp increase in household formation in the 1960's, will mean a bigger, higher quality market for residential uses of electricity. The United States population is trending toward the formation of what might be called "supercities," as the suburbs of neighboring cities spread out and overlap into continuous urban areas hundreds of miles long. New industrial and residential areas will evolve along the great throughways that are being built on a national scale. All these new population centers will need large quantities of power for community facilities such as water and sewage plants, highway and street lighting, schools and shopping centers. Highly concentrated blocks of power will be required for new industrial parks and residential areas. The development of bigger industrial and residential markets in areas formerly confined to agriculture and mining, especially in the south and the west, will provide new outlets for industrial, commercial, and residential load. In such a vastly expanded market, the forecast of 3 trillion kilowatt-hours a year by 1979 is entirely feasible.

Yet no business manager needs to be reminded that every kilowatt-hour, every dollar's worth of power and equipment, must be sold—sold against a growing multitude of competing uses for the customer's dollar.

Between now and 1979, the industry must sell about $500 billion worth of electricity and $1¼ trillion worth of electrical equipment, in terms of today's prices, to reach the goals envisioned. This is about five times as much electricity and four times as much equipment as the industry has sold from 1879 to the present.

Is it reasonable to assume, from the present evidence, that this sales objective will be attained? Let me cite some of the evidence.

It is generally agreed that the residential customer is the backbone of the utility business, the least affected by economic recession and potentially the greatest producer of revenue. At present, major appliances and television account for two-thirds of the kilowatt-hour consumption of the average residential customer. Residential and rural power sales have increased faster than the other classifications, and forecasts of future load are based on a continuation of that trend.

There is nothing in the current sales trend of the electric major appliance business to warrant such optimism. There has been little growth in unit sales since 1950. Ignoring wide swings in year-to-year sales volume — and who is to say what constitutes a "normal" year—the appliance and television receiver business seems to be growing at a rate of less than 3% a year. Yet major appliances are expected to be a major factor in boosting the load curve an average of 8% a year, according to the 1979 forecasts that have been presented.

Why Decreased Consumer Appliance Sales?

Why is it that sales of home appliances have not grown at the rate they should? Is there some vital ingredient missing from the manufacturers' program? Is there something more that the electric utilities should be doing, to close the gap between market potential and market reality?

A review of the efforts of the manufacturers seems to indicate that, while there have been human errors and shortcomings, they have tried to move forward on many fronts.

In the past 10 years, the manufacturers have offered their customers a greater flood of new, exciting products and features than in any previous period. New appliances and entertainment products have been introduced, styling has become much more attractive, and inducements to purchase a coordinated group of appliances, rather than just one appliance, have been increased.

Factories have been rebuilt and expanded, and a high degree of electrification and automation has been introduced into the manufacturing processes, to produce the most attractive values.

The industry's productive capacity has been increased so that customers can benefit from the economies of volume production—providing that high volume can be maintained. At present, it appears that the industry has the capacity to produce more than twice as many appliances as are currently being sold.

Distribution patterns are changing. As these changes proceed on an evolutionary basis, the cost of moving goods from the factory to the ultimate consumer, along with the services the customer wants, is being reduced.

Manufacturers' advertising of appliances and television receivers has been increased to five times the prewar level.

The sales efforts of manufacturers have been both expanded and improved in terms of specialization.

Liberalized credit arrangements have made it much easier for the customer to buy and pay for these useful home products and services.

While the housewife has found higher and higher price tags on nearly everything she buys in recent years, the prices of electric appliances have actually declined. For example, the 12-inch television set of 1950 cost $230, while today's 17-inch set, a better product all around, costs only $180. The eight-cubic foot refrigerator of 1950 cost $330, while the equivalent model of today's 12-cubic-foot combination refrigerator and freezer, with many new features, sells for less than $300.

A study of the components of the government's cost-of-living index reveals that, while the general cost of living has risen 26% since 1947, the prices of major appliances[1] have actually declined 14%. These declines in prices have taken place in spite of a 63% increase in the cost of labor in electrical manufacturing, and a 50% increase in the cost of key raw materials. The prices have declined in spite of the fact that today's appliances have many improvements which greatly increase their real value to the customer. I am making the understatement of the year when I say that no sales force in industry has a better value to offer the con-

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[1] *i. e.*, the models used in computing the cost-of-living index.

Keeping Our Heritage of Freedom Is No Easy Task

By WILLIAM A. McDONNELL*

President, Chamber of Commerce of the United States
Chairman of the Board, First National Bank in St. Louis

The swift depreciation of the franc is partly blamed for present French political unrest by Mr. McDonnell who sees in this a warning for our country after calling attention to our 48 cent dollar in 1939 purchasing power terms. The business spokesman deplores U. S. wage-price spiral and the common belief that recessions can be cured by stepping up purchasing power through wage increases; asserts that the surest way to cure a recession is to get prices down and, thus, release unspent purchasing power; and asks business and labor leaders to work toward halting wage-price spiral that "has been discouraging consumer buying."

One of the greatest advertising men of this century—Bruce Barton—once remarked that as a profession, advertising is young; as a force, it is as old as the world. The first four words ever uttered, "Let there be light," constitutes its character. All nature is vibrant with its impulse.

W. A. McDonnell

Another commentator on advertising who bears that well-known name, A. Nonymous, said that when business is good, it pays to advertise; when business is bad, you've *got* to advertise — and I could not agree more.

In a time of recession, it is the business that considers itself immune to the necessity for advertising that sooner or later finds itself immune to business. And even that famous man of silence, Calvin Coolidge, found his power of speech sufficiently in working order one day to observe that advertising is the life of trade. Which it is.

The primary purpose of advertising, of course, is to move goods, but an increasingly important purpose of advertising is to move ideas.

Some of the most powerful and compelling editorials on the American way of life and our people's capitalism are found in the advertising sections of our magazines and newspapers, and advertising is footing the bill for social, economic and political enlightenment by way of radio and the television discussion programs.

We Need Economic Education

Our country is emphatically in need of more economic education. And indeed the world wide struggle between this country and Russia may well be won by that nation which proves itself the better advertiser and/or seller of ideologies.

You are probably aware that repeated surveys have shown that a substantial proportion of high school seniors believe that companies, and not the law of supply and demand, control prices; that business makes annual net profits up to 50%; that most concerns could raise wages without raising prices, and that prices could be considerably cut with companies still making a reasonable profit.

It is bad enough that these fake ideas are entertained by future voters, but it is just as bad that the seniors' viewpoint undoubtedly reflects the thinking of present-day voters. In other words, their parents.

The extent of economic illiteracy in this country, plus the firm conviction that something can be done about it, are among the reasons that the Chamber of Commerce of the United States maintains a Business Relations Department.

The recent Annual Meeting of the National Chamber in Washington adopted a policy which states in part that "As stewards of the public interest, business managers should never fail to recognize their responsibility to interpret their actions through continuous communications so that customers, stockholders, employees, suppliers and distributors, and the community can judge objectively and in proper perspective the great contributions of business."

Banking Explained

I buy and sell money. People who do not like those in my business call us money changers. Those who do like us call us bankers, a term we prefer.

It is commonly believed that there is something mysterious about banking.

That is not true. The business consists of just three things:

(1) You get the money in.
(2) You put the money out.
(3) You try to get the money back in again.

It is nice work if you can get it. It does not pay much—and you are not allowed to take home free samples of the product—but it is fun.

But I am not here to talk about banking, but about *money*. Here in my hand is a piece of money. It is a one-buck bill, a dollar bill. It is technically known as a silver certificate, because the government will give you a silver dollar for it, if you want to swap.

There is a picture of George Washington on this silver certificate—which is probably because he is supposed to have thrown a silver dollar across some river down his way.

This dollar bill is green—and for that reason, it is sometimes called "the long green."

When I lived in Arkansas, I used to have a colored yard boy who invented what I consider to be an improvement on that term. He called it the "long green with a short future."

I might add that modern day patriots are throwing bigger money around.

A lot of people think that money will buy anything—because it is a medium of exchange. That is not true.

It will not buy happiness; it will not buy health; it will not buy friends. It will not buy love. Of course, now, I am speaking of Confederate money.

A friend of mine, who is noted for his somewhat Lotharian habits, once said to me, that "Who says that money will not buy love? You just give me plenty of that stuff, and I will do my own shopping."

Money enters the life of everyone.

It brings joy and sorrow, triumph and tragedy. In order to get it, man will sweat and toil, lie, cheat, steal and murder.

Women like it, too.

Money is universally sought after and universally use. In varying degrees, everyone has some of it, and everyone has had experience with it.

Now you would think that anything which has such common usage, and with which everyone is so familiar, would be thoroughly and universally understood. And yet, I venture to say that there is more ignorance and misunderstanding about money than there is about anything else that is a part of our every-day life.

False Concepts About Money

There are numerous absolutely false conceptions about money which are generally accepted

The commonest misconception was labeled "the money illusion" by Professor Irving Fisher of Yale, some years ago.

He described it like this:

"We simply take it for granted that a 'dollar is a dollar'—and that a 'franc is a franc,' and that all money is stable—just as centuries ago, before Copernicus, people took it for granted that this earth was stationary."

(I might say at this point, that in this age of outer space, it would be nice to have Copernicus working for us.)

This illusion about money manifests itself in many of the current public utterances and legislative proposals behind all of which is the assumption that, as a nation, we can have everything we want—guns and butter, full employment, subsidies and social welfare—everything—by the simple expedient of spending more money.

As the Editor of the First National City Bank Monthly *Letter* recently put it:

"The idea is that money is no object; that we simply need to spend freely in order to get all that we want. We forget that achievement is the product, not of big figures preceded by dollar signs, but of blood, sweat and tears. Nothing is more futile to real accomplishment, and demoralizing to organized productive effort than throwing more money helter-skelter in every direction. All we get out of irresponsible finance is price inflation and frustration of all our neatly-laid plans.

"When we say that money is no object, we also imply that we do not care how little it may buy in the markets or how much misery we may create among defenseless people who have put trust in the integrity of government."

Another misconception about money is what is known as the "purchasing power theory"—which is the theory that production cannot be sustained at a high level because there is not enough purchasing power to take the output off the market.

Ancient Fallacy

Or, to put it another way, when production falls off, all you have to do to bring it back up is to create purchasing power by either handing out or paying out more money.

This ancient fallacy is taken out of mothballs, dusted off, and offered by labor unions as an argument for higher wages every time we run into a recession of business activities.

I hope I can make myself very clear on this point. I am by no means disdaining the importance of mass consumption to go along with mass production. In our scheme of things, a high level of purchasing power is an absolute must.

But we must contrive to maintain a proper balance between production and purchasing power. The notion that purchasing power comes first, and production comes second is a myth with long whiskers.

Production should, and does, finance its own consumption, because for every dollar of gross receipts, the enterprise taking in that dollar is in a position to pay out a dollar for wages, raw materials, containers, power, fuel, taxes, dividends—and might have a little left over which is spent on replacement or expansion—so that the firm automatically returns to the income stream its entire gross receipts.

Most firms do more than that, since they also tend to go into debt, and thereby pay out more dollars than they actually take in.

Everyone's purchasing power is a cost to someone else. Every increase in the wage of a worker is a cost to someone else, unless it is offset by productivity improvement.

There is an old American proverb dating back to about 1800 which says that "Nobody gets 'nuttin' for 'nuttin','" and it still holds good.

Wage Cure Argument

It is now being argued that wage increases will cure the recession because they would increase purchasing power. The exclusive emphasis on wages as a source of purchasing power is a fallacy.

It is true that wage increases do increase the purchasing power of those who get them, but what about the millions who do not—the farmers, the self-employed, professional people, white-collar workers, and those living on fixed incomes?

Wage increases affect only a part of the people while the price increases that inevitably follow wage increases affect everyone. For some people, purchasing power may be increased, but for most people, it is reduced.

But the unions say — oh, no, prices need not be increased. All you have to do is to take the increased wage rates out of those swollen and bloated and exorbitant profits of corporations. Walter Reuther stated labor's case on this point at a recent labor convention when he said that, "we are in trouble because big business is taking a disproportionately large share of the fruits of our developing economy.

"What is needs is higher take-home pay for workers and lower take-home pay for corporations."

This recipe for curing economic recessions completely ignores the salt of truth. Department of Commerce figures do not back it up.

These figures show that the net income, after taxes, of all U. S. corporations as a percentage of total national income has been steadily declining during the ten-year period from 1948 through 1957.

In 1948, corporate net earnings

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*An address by Mr. McDonnell before the Annual Convention of the National Industrial Advertisers Association, St. Louis, Mo., June 4, 1958.

Popular Western

By DR. IRA U. COBLEIGH
Enterprise Economist

Western Natural Gas Company drilling has scored three major hits.

For some years now, Western Natural Gas has been favorably regarded as a producer of oil and natural gas, and an avid explorer for same; yet somehow it never managed to live up to its billing as an attractive growth-type speculation in petroleum. It had the qualities that build up a board room *claque*—(1) wonderful sponsorship as a subsidiary of El Paso Natural Gas, a fantastically successful enterprise, (2) excellent management and (3) substantial financial resources and (4) an aggressive, imaginative and extensive drilling program. These are all qualities calculated to generate quite a lot of forward motion both in earning power, and improved share quotations. Yet the record shows that in the five year period ended Dec. 31, 1957, net earnings per share ranged narrowly between a low of 27c and a high of 39c; and in the same period Western Natural Gas common swung between a low of 8⅞ and a high of 19½ (it is 16½ today).

U. Cobleigh

So here is an oil stock of definitely a romantic and speculative hue that, for five years, has been doing little more than treading water. No dividends, no market surge or splurge. But the promise is still there and recent exploratory successes are giving more substance to it.

Since Western is a natural gas company, and its parent is a huge gas buyer, a new found gas field is of major importance. Western has apparently come upon such a new field in West Texas. In February of this year, Western and Magnolia Petroleum completed a deep gas discovery well with an open flow potential of over 180 million cubic feet per day. A 15,000 foot confirmation well is being drilled, 1½ miles to the southest. All this is on part of a 33,600 acre block owned 50/50 by Magnolia and Western. A contract has already been arranged with El Paso Natural Gas for sale to it of some 200 million C.F. daily, once Federal Power Commission approval has been given to run a gathering pipeline system into the area. Assuming the flowering of this Goode Ranch field as projected, a cash flow of above 50c a share on Western common is a distinct future possibility.

A second exciting development in gas production for Western relates to the 1.7 million net acres of permits in British Columbia, owned by Gulf States Oil Co., its wholly-owned subsidiary, and to a 25% interest Gulf States has in a 253,000 acre tract (farmed out by Imperial Oil) northeast of Prophet River. On this last tract, near Fort Nelson, British Columbia, a promising discovery well, regarded as a major strike, was brought in, last December. The importance of gas in this area is that it can be tied into the Westcoast Transmission. (Gas, under contract at the rate of 30 million C.F. per day, is expected to be delivered to Westcoast this September, from the existing Blueberry field in which Gulf States has a 20.5% interest.)

A third recent major development, favorable to Western, was the discovery oil well in Block 10 Lake Maracaibo (Venezuela) brought in last February. This produced 4,080 barrels a day through a three-quarter inch choke, and indicated the probable existence of very large reserves on the 25,000 Block 10 acres in which Western has a 10% interest (company also has 3.25% interest in another 25,000 acres in Block 17 Lake Maracaibo).

In Utah, Western will deliver 15 million C.F. a day of gas to El Paso, beginning next January, from wells on its (50% owned) 11,000 acres at Boundary Butte.

Western this year is operating on a tighter budget. It expects to spend around $7.5 million in exploration and development, against $13 million in 1957. The company is also working to bring down its costs of finding oil and, in drilling, is sticking pretty closely to areas where profitable wells have already been located.

Actually in the last two or three years gas production has declined and cash flow has been maintained only by rising prices for natural gas, and larger oil production. As a result, the company has needed to raise some money to finance its drilling. It now has $15,200,000 in long-term bonds, two issues totalling $11,400,000 of $30 par 5% preferred stock ahead of the 4,475,000 shares of common. This capitalization creates less leverage than one might assume, however, since the 1952 series of 5% preferred (now selling at 36½) is convertible into 189,000 shares of common at $15; and the 1955 series of 5% preferred (now selling at 42½) is convertible into 192,000 of common at $12.

The company has not recently (since late 1955) published estimates or calculations of its oil and gas reserves. Without allowance for reserves and recoverables in the three new discoveries discussed above, a fair estimate for Western would be about 1.9 trillion C. F. natural gas worth, at 3½ cents per C. F., $66 million; 14 million barrels of crude at $1.15 worth $16.1 million; 2½ millions of leaseholds worth, at $10, $25 million, plus an oil production payment worth $11 million. Add these together and the total is $118.1 million. Deducting debt and liabilities in the amount of $17 million, you arrive at a net figure of $101.1 million. This divided among 5,329,000 common shares (assuming total conversion of the preferred) creates a per share equity of roughly $19. Remember this figure is reached by highly unofficial estimates, and a calculation uncertified by any firm of public accountants. It is merely set down to outline, in general, the probable values contained in this common stock.

Assuming that the above does veer too heavily on the side of optimism, there are plus factors in the situation that should be noted. No value has been attached to those very important new finds in Texas, British Columbia and Venezuela. Further, valuing gas reserves at 3½ cents is not extravagant, especially when (1) the long range price trend of North American gas is definitely upward and (2) over 40% of current company gas sales contracts come up for renegotiation in 1959 and moderate increases in price are definitely expectable. Further, no mention was made about the 6.25% interest Western has in an offshore exploration and development group headed by Sinclair Oil and Gas. In the Louisiana tidelands, this group already has four producing wells and will start barge deliveries of oil this year. The reduction of allowables will, however, slow down development drilling, until a more attractive price/cost/volume equation can be worked out.

The earnings picture which has been disappointingly static for some years, now looks brighter. Whereas higher prices for gas and more oil delivered have been offset by lower gas production and rising costs of drilling and exploration, the new finds, both in quality and extent, point to a substantial increase, particularly in natural gas production. For 1957, the end result was a per share net of 37 cents, and a cash flow of around $1 per share. Both of those figures should move forward in 1958 and document the best year in company history.

In conclusion, there is a sizable body of evidence that Western Natural Gas common at 16½ is a more attractive speculation now, than at any time in the past 5½ years. New petroleum findings are now expanding at a more rapid rate than production, and the geographical spread of operations and holdings, in some of the most promising areas in North and South America lend considerable romance to this speculation. While early dividends do not appear likely, and Western common sells at a high price/earnings ratio, earning power here appears to be getting out of a rut. Those who view oil and gas in the ground as a valid hedge against inflation may find something they like in Western Natural Gas.

With Liberty Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Elvin J. Halladay has become connected with Liberty Investment Corporation, Denham Building. He formerly conducted his own investment business in Denver.

Three With L. A. Huey

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—William B. E. Allison, Lee C. Brooks and Rowland D. Young have become connected with L. A. Huey Co., U. S. National Bank Building.

Clark Elected by Joy Manufacturing

The Joy Manufacturing Company, Pittsburgh, has announced that George E. Clark, President of the Adams Express Company, New York City, has been elected Chairman of its Executive Committee.

George E. Clark

At the same time, the company announced that Louis C. Helmick was elected Executive Vice-President, succeeding A. B. Drastrup, who has resigned from the position.

Mr. Clark had been elected to the Company's Board of Directors at a Board meeting on May 28.

Mr. Helmick had been serving Joy as Vice President and General Manager of the company's industrial division. With Joy since 1947 Mr. Helmick had been Manufacturing Vice President; manager of the company's Claremont, New Hampshire works; and Assistant Manager of the Franklin, Pennsylvania works.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George L. McDonough has become aassociated with Reynolds & Co., 39 South La Salle Street. He was formerly with Walston & Co., Inc.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Joseph V. Perlin has been added to the staff of Walston & Co., Inc. 201 South La Salle Street.

Harry D. Casper With Sidney Jacobs Co.

Harry D. Casper has become associated with Sidney Jacobs Co., 40 Exchange Place, New York City, in the trading department. Mr. Casper for many years was with John J. O'Kane Jr. & Co.

Winners at NYSE Golf Tournament

Walter B. Schubert on June 17 won the Governor's Cup at the 59th annual golf tournament of the New York Stock Exchange Golf Association at the Winged Foot Club, Mamaroneck, N. Y. He had an 82 gross and 15 handicap for a net of 67. Low gross went to Robert Jacobson with a 74. Richard G. McDermott, Hayden, Stone & Co., the Association's Chairman, stated that some 200 golfers, a record, teed off at the tournament.

Joins Russell, Long

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky. — Leslie C. Cleveland has become affiliated with Russell, Long & Company, 257 West Short Street. He was formerly with Waddell & Reed, Inc.

With Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gregory P. Plunkett is now with Eastman Dillon, Union Securities & Co., 50 State Street.

Two With Estabrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Jay K. Goose and Anthony Jonklaas have become connected with Estabrook & Co., 15 State Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry F. Nelson and William F. Waters are with Merrill Lynch, Pierce, Fenner & Smith, 18 Milk Street.

The Electronics Industry— A Look at the Larger Companies

By DR. W. I. LATOURETTE*
Manager, Research Department of Shearson, Hammill & Co., New York City
Adjunct Assistant Professor of Finance, New York University

Dr. LaTourette looks into the present and future factors affecting the electronics industry, and explains why it has proved itself a highly speculative industry which holds many unusual pitfalls for the investor lacking "good business sense." Points out difficulty in defining and selecting individual big and small companies likely to benefit from prospective upsurge in electronics, and notes "larger companies" need not mean industrial giants, such as G. E., G. M., and W. E., but may include established, reasonably broad-based companies of still considerable size such as Raytheon and I. T. & T.

Electronics is almost universally viewed as one of the country's more dynamic growth industries. Future projections pale even the past record. The McGraw Hill publication, "Electronics," predicts that sales of consumer electronics products, which were around $1½ billion last year, should enjoy a minimum increase of 50% by 1965 and should top the $3 billion mark by 1975. Commercial and industrial spending for electronics, which amounted to $1.2 billion last year, is projected to increase 1½ times by 1965 and four times by 1975. Production of transistors alone, which more than doubled to 29 million units last year, is expected to reach an annual rate of 200 million units by 1960.


W. I. LaTourette

The important military segment of the business, which accounts for approximately half of the industry's total volume of $7 billion, definitely has turned the corner and is moving sharply upward. The Administration's budget for fiscal 1959 shows new appropriation requests for electronic procurement totaling $3.7 billion, including $1½ billion for aircraft electronics, $1.1 billion for missile electronics, and $1 billion for communications gear and other equipment. Total military electronic shipments for fiscal 1959 are expected to exceed $4 billion.

Looks Further Ahead

Looking further ahead, the electronics industry should benefit on balance from the shift in emphasis from aircraft to missiles. Based on the Air Force's estimated expenditures for 1959, about 48¢ of each missile dollar will be spent for electronics compared to approximately 34¢ in the case of aircraft. Sprague Electric estimates that the percentage of major procurement expenditures going for electronics will rise from 23% to 25% in the current fiscal year and may well reach 30% by 1960. Finally, electronic research and development work is scheduled to rise importantly in the coming fiscal year and this should result in sizable production contracts in the following year.

While long-term prospects for the electronics industry in general appear bright, it is extremely difficult to apply this conclusion to put this thesis to profitable investment use. Electronics has proved itself a highly speculative industry which holds many unusual pitfalls for the investor. Electronics overlaps into many areas, and it is very difficult to define an electronics company as such. International Business Machines, and others in the office equipment field, have big stakes in electronics as do some of the aircraft manufacturers. American Telephone through its Western Electric and Bell Laboratories subsidiaries, is a major factor in electronics, as are several of the big electrical equipment producers.

The hundreds of small companies in the field, the impact of rapid changes in technology, the importance of military business, the lack of sound financial management in many cases, and the difficulty of appraising the complex technical aspects of the business are some of the many problems involved in making specific selections. These points were painfully brought home during the past year when the electronics industry went through a painful adjustment period and most stocks suffered severe declines. Most are aware of the fading away in profits and stock prices that took place in Beckman Instruments and Consolidated Electrodynamics, not to mention the dramatic drop in prices of smaller companies' shares, such as Dynamics Corp. of America, Electronics Corp. of America, General Instrument, Lear and Norden Ketay.

The Big and Not So Big Companies

Partly because of the extreme difficulty in selecting individual companies which are likely to benefit from the prospective upsurge in electronics, a policy of concentrating on larger companies in the field would seem the most logical one to follow. By larger companies we do not mean the industrial giants such as General Electric, General Motors and Westinghouse Electric where the electronics play is thinly spread. Fortunes of these companies are determined primarily by the ebb and flow of demand in other fields. There are several well established, reasonably broad-based companies of still considerable size which do fill the bill, however; two that stand out are Raytheon Manufacturing and International Telephone & Telegraph.

Raytheon, whose volume is currently running at an annual rate of more than $300 million, has undergone a dramatic transformation during the last two years. Several unprofitable civilian lines have been eliminated and an interest in a computer venture, which promised to be a large financial drain for some years ahead, has been sold. Important additions to top management strengthened the company substantially and have instilled a new

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*An address by Dr. LaTourette before the Association of Customers Brokers, New York City, June 5, 1958.

Incentive Commerical Research Key to a $600 Billion Economy

By H. LESLIE HOFFMAN*
President, Hoffman Electronics Corporation
Los Angeles, Calif.

Winner of this year's electronic industry's Medal of Honor declares the time has come for government to help industry expand commercial research substantially if we are to win our military and scientific battle with Russia and maintain a dynamic and growing economy. According to Mr. Hoffman, the electronic industry holds major responsibility in these commingled goals and can only pursue costly research—if it is not to be solely confined to the big companies that can afford it—if government revises its tax system to encourage rather than curb new initiative, ingenuity, enterprise and energy. Specifies a tax credit program, and is confident it will make a sevenfold return in government revenue and provide the stimulant for today and for a better world tomorrow.

Only a Few Years Ago our industry was a relatively simple business—close-knit, compact, and concerned with making just one product. But almost faster than we could realize what was happening, it has mushroomed into an enormously complex industry. We now produce many products and work in widely diversified fields. Our products and services have become essential to the national security and have provided a more satisfying and comfortable life to millions of Americans in their homes, their offices, and in their leisure hours.


H. Leslie Hoffman

Many of Us Can Remember when the electronics industry had a market volume of half a billion dollars a year. Yet last year our industry set a sales record of $7½ billion—15 times what it was only a few years ago—and thus it has become the fifth industry in manufacturing volume in the United States. It is significant that this growth was sparked by new ideas and new products—the end result of research. Seventy-five percent of today's employment is involved in projects which were born within the last 10 years.

Not Long Ago I suggested that the electronics industry might well become the economic barometer of our nation because of its breadth, depth, and scope. Certainly there is no single industry in America today which holds, at one and the same time, the major responsibility in our military and scientific battle with Russia and the prime stimulant for a dynamic and growing economy.

Yesterday we were responsible only for originating and transmitting the voice of broadcast communications. Today we have not only the responsibility of giving our military systems voice, but also we must endow them with sight beyond the horizon and guide them unerringly into outer space. We must build for these systems brains quicker and surer than any possessed by man, and muscles whose components must react in microseconds.

But important as this is, I would like to draw attention to a responsibility that I believe is as great as the one we have assumed in the defense of the free world through military strength.

Overnight the headlines have changed from Sputniks, Explorers, and Vanguards to talk of recession and labor negotiations — and now back to Sputniks. This focuses our thinking on the salient elements of our economy.

Our economy is predicated on the thesis that we can maintain the highest military standards and the highest living standards at one and the same time, without either being sacrificed for the other. This is no small order. It means that in the international race for superiority and survival, we have established objectives and responsibilities for ourselves which the Russian dictators have not recognized for the Russian people.

Thus, we find ourselves with two challenges instead of one—and they go hand in hand. They are so interwoven that we cannot —and must not—try to consider them apart. To put all of our effort into one at the expense of the other would be a catastrophe.

Depicts Two Goals

What are these goals?

The First Is Economic. It is the target we must reach if we are to keep the United States a healthy, virile entity, strong enough to give the free world the leadership it must have. To accomplish this, we must increase our gross national product from $430 billion of today, to $600 billion in the next decade.

Our Second Basic Goal is to create and maintain a superior military establishment that will insure peace in today's uneasy world, with the ultimate objective of a permanent peace.

Both of these obtainable goals need to be reached without inflating our dollar still further.

You may notice that I put the economic, nonmilitary goal first. I did so intentionally because we cannot support the growing strength of our military establishment without a sound, vigorous, and expanding economy.

The average factory worker in the United States, in April of 1958, received $2.10 per hour—8 times that of Japan's average of 26 cents per hour, and approximately 3 times that of France, West Germany, and England whose average is 72 cents, 68 cents, and 80 cents, respectively.

Foreign Inroads

Germany and Japan have made inroads into our once strong economic areas. Why? For the past 10 years these dynamic and hard-working nations have devoted most of their best manpower, facilities, and efforts to creating new products and improved machines and techniques for civilian uses. They have been relatively free from the heavy burden of armaments. Their top scientists and engineers have concentrated on nonmilitary projects. Unfortunately, we cannot discount either their productivity or the quality of their products.

We face the prospect of losing our markets at home and abroad unless we can equalize these wage differences through greater productivity. We should never forget that our greater productivity is

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*An address by Mr. Hoffman on the occasion of his being presented the Electronic Industries Association's 1958 Medal of Honor at the 43th National Convention of the E. I. A.

Forward Look, Forward March In American Banking System

By JOSEPH C. WELMAN*
President, American Bankers Association
President, Bank of Kennett, Kennett, Mo.

Banking's spokesman describes the banking system as the one "outstandingly bright spot" in this period of economic difficulty which, he believes, can and will contribute much to the cushioning of the impact of the recession and aiding our recovery. Mr. Welman praises the fine job bankers are said to be doing in working with borrowers in depressed and distressed areas; sees intelligence, hard work, restraint and patience, and proper monetary-fiscal policies, rather than a magic formula, correcting anything that is wrong in our economy; applauds bipartisan efforts to minimize our Federal deficit; and contrasts our independent banking system with the European centralized one. Calls on bankers to strive constantly to improve their role in the economy, and reviews work of the ABA.

There prevails in many parts of the world an atmosphere of more than usual dissatisfaction and irritation—a marked lack of calmness, restraint, and patience.

Joseph C. Welman

Recently we have seen the Vice - President of our own country, and his wife, disgracefully treated by our neighbors.

Our old friend and ally, France, is suffering convulsions of a most serious nature.

Nations — even friendly nations —are having great difficulty in agreeing on what should be done and what should not be done.

In our own country—with our problems indisputably far less severe than most of the countries of the world—we find business and industry with more than the usual amount of management differences and proxy battles, labor with considerable internal and external difficulties, and our own government engaged in debating and coping with the important matters of recession, taxation, defense, foreign aid and trade, and many others.

To come here and observe this large and fine group of more than 1,400 banking people — the very backbone of our banking personnel — calmly but enthusiastically engaged in a week-long inspiring and instructive program with a central theme, "A Forward Look," is like a breath of fresh air. It is a real tribute to American banking and to our country. I commend and congratulate you. This is the kind of activity that is certain to be heartening to our country and our friends abroad and discouraging to our enemies. And we may all rest assured that it doesn't go unobserved.

For some time in our country, we experienced reasonably full employment and a growing economy, stimulated and bolstered by government subsidies and defense spending and unprecedented expansion and spending by business, industry, municipalities, and individuals. No one seriously believed that could continue at such a pace indefinitely. The monetary authorities, most economists, and many wise and able leaders in finance, business, industry and government warned us repeatedly that we couldn't do everything at the same time without harmful effects. And so it happened.

The situation in which we currently find ourselves is definitely not a depression of the sort we had in the 1930's, but of course it is an adjustment and a recession.

Facing Reality

We cannot assume an ostrich-like attitude with our heads in the sand, a sheep-like attitude of following every suggested panacea, or a heads-in-the-clouds attitude of refusing to face reality.

I believe there is nothing wrong with the country that intelligent study, common sense, hard work, reasonable restraint and patience, together with our monetary policies and tools, sound budget approach, and wise and moderate assistance from the government won't correct. At the same time, I am greatly concerned by the tendency of many to seek a magic formula as a cure for all of our troubles.

On the other hand, the recent position taken by the leaders in both parties in opposition to measures which would have undoubtedly added greatly to the already certain large deficits is indeed heartening an dencouraging.

Unlike some of the other periods of economic difficulty in our country, there is today an outstandingly bright spot in the economy; and that is a strong, virile, alert, and aggressive banking system, enjoying the confidence of the public, business, industry, labor, and the government. This can and will contribute much to the cushioning of the impact of the recession and aiding our recovery. We must see that our appreciation of this condition is translated into a willingness, which I am convinced does exist, to act with foresight and courage and to assist in every way possible.

I should like to say that I have been greatly impressed by and extremely proud of the fine job bankers are doing in working with borrowers in depressed and distressed areas. This is indeed as it should be, and it is good public relations in the truest sense. The strikingly low rate of foreclosures and repossessions is a tribute to the American public and the American bankers.

When it is considered that a large part of today's bank lending force has had limited or no experience in working out adjustments to significantly changed conditions, the situation should be used as a training ground. An alert management should expose as much of its lending personnel as possible to the knowledge derived from problem loans as they develop here and there. This should not be done as a hit-or-miss proposition, but under carefully worked-out training sessions geared, of course, to the particular organization of the bank. Lending personnel thus oriented can be expected to become broader-visioned representatives of the bank, and can thus become a stronger base on which to build for the future. We should make the most of this opportunity to spread this valuable experience among as many of our leading personnel as possible—especially the younger people.

Years ago, the main avenue of education open to the banker was the "school of experience." Those were the days of self-made men who came up from the ranks by a difficult road of hard work. All too often their educational opportunities were limited. We admire and respect them for what they accomplished. It is still true, of course, that an important part of the educational process is in business itself. That is why I am urging that we seize the opportunity in times of more than normal problems to utilize it to the maximum. But experience can no longer stand, as it once did, as the sole factor in a banker's training.

A Complicated Business

Today, banking is a complex and technical business. The banker, no less than the physician or the lawyer, must be sturdily equipped for a work which has come to be recognized as professional in nature. All of us in banking—from the youngster taking his first job in a bank to the senior officer — must learn more and more about more and more. Banker education programs have become a cardinal necessity, along with practical experience; and today the two are inseparable. We really have a three-prong problem, and we must and we are applying a three-prong approach to it. All of us are striving to integrate our efforts in the fields of education, proper training, and practical experience. The importance of these programs to our profession—and to the public for which bankers are trustees—cannot be overestimated.

For many years, organized banking has been pre-eminent in the field of professional adult education. In fact, there is no field of business in which the problem of educating the employee has been approached with greater thoroughness, or in which a higher degree of success has been attained.

Over the years, there has been a steady expansion in the educational activities of both the national and state bankers associations as well as those of other banking associations. At the national level, the work of your own American Institute of Banking and The Graduate School of Banking at Rutgers have exerted a profound influence on the progress of American banking. The state associations have displayed zeal and imagination in establishing educational facilities to meet the special needs of their members. In addition to the three established regional schools at Madison, Seattle, and Baton Rouge, and the new school in Texas, there are today 26 general banking schools, study conferences, clinics, and seminars, including five programs which are designed specifically for senior officers and one for bank directors.

Work of the ABA

The hard core and the unquestioned leader in these activities is your own Institute. With a membership of over 147,000, an enrollment of almost 84,000, and with a record of having furnished instruction to more than a million and a half bank men and women, you have justly earned the distinction of being the largest and most effective adult educationol organization in the world. You have made, are making, and will continue to make a wonderful contribution to American banking, and the significance of your work is appreciated, will continue to be appreciated, and will become more obvious to everyone in the years ahead. On behalf of the American Bankers Association, I salute and commend you.

The facilities of your Institute are available only to member banks of the ABA. I have often said and I should like to say again to you: "The privilege of utilizing the educational programs of the American Institute of Banking is, in most cases, worth more than the dues paid by member banks to the American Bankers Association."

All of the other educational efforts of ABA and others in the educational field are intended to, and will, supplement — not supplant — the Institute; and there should not be and will not be any conflict.

At times it may seem to you that the senior management in your banks and the ABA, in the search for and trial of other educational aids, forgets or fails to fully appreciate the importance of AIB. I can assure you most emphatically that is not the case. The ABA and senior management fully understand that AIB is the backbone and grass-roots strength of our banking educational system. Sometimes there may seem to be—although, of course, there shouldn't be — a lag in the full recognition and appreciation of the AIB work you have done and are doing. Perhaps even those of you who have completed the courses will not immediately fully recognize their value to you. But that recognition and appreciation will inevitably come.

Don't Stand Pat

But much remains to be done. We cannot afford to become tired or complacent. If organized banking is to meet the present and future needs of its membership for educational services, it must strive constantly to strengthen existing programs and to move forward into new areas where opportunities exist to do a better job. Continuing attention will have to be given at both the national and state levels to potential ways of improving the quality of our programs, meeting unfilled needs, and achieving a more logical and better rounded pattern of educational activities on a national basis.

This will require much vision and much hard work. But it is a "must" if banking is to keep pace with the expansion of our economy over the years ahead and to train the broad-gauged banking leaders who will be needed in constantly growing numbers to bear the great responsibilities of our industry.

In some phases of the American economy, science and technology have enabled us to hold our position—in spite of low labor costs of other nations—and permitted us at the same time to work less and in many cases to become wasteful with money and manpower.

But as others pull abreast in the struggle for markets—and in

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*An address by Mr. Welman before the 56th Annual Convention of the American Institute of Banking, Kansas City, Mo., June 6, 1958.

THE MARKET . . . AND YOU

By WALLACE STREETE

Advancing 13 points on the Dow-Jones Average in four successive trading sessions during the past week, the market encountered considerable irregularity even before its 2-point decline of Wednesday. On Monday 363 issues declined against 567 rises, while Tuesday's advance included even greater divergence with 495 advances and 432 declines.

Undoubtedly the chief support of the Street's current "buoyant spirit" is, per the arguments pervading most commentary from the services and brokerage firms, the plethora of investible funds against the background of falling money rates. Also, of course, the output of business news has not been devoid of favorable items. Retail sales for May were quite surprising; good, ahead of April and well over March. Likewise, a month-to-month rise in housing starts, to exceed the million mark, was registered in May. Also encouraging were news of a rise in industrial production and a payroll increase for the first time since the Recession's start.

On the other side of the medal, and somewhat tempering bullish enthusiasm were the prospects for unusually extended summertime "vacations" and other shut-down excuses, worry over the possibility that the business perk-up may turn out to have been merely a temporary rally, and in the market itself, the record high ratio of prices to even boom-time earnings.

With the advent of summer the soft drink area of the market is reflecting the Street's proclivity to emphasize "seasonal" factors. And on broader considerations too, these issues are seen as benefiting from the comparative strength of the consumer "soft goods" sector of the economy, as well as a secularly upward sales trend. The latter has been helped by an expanding market of teen-agers, and also of greatly intensified promotion efforts. Additionally, continued progress is being made in the development of foreign markets, a field pioneered with extraordinary vigor by Coca Cola under Mr. James Farley, over the years. This issue, along with Pepsi-Cola, Canada Dry, and Dr. Pepper, is seen as particularly likely to gain refreshment from the peak sales records anticipated over the next few months.

* * *

To those market participants favoring the cyclically depressed sector, as affording a substantial "come-back ride," Crucible Steel is attracting attention. With a net income drop of 49% per quarter from 1956 to $2.18 in 1957, current earnings at but five cents, the shares are down a full 53% from their high of last year. While this year's earnings will presumably continue negligible, with the company catering to auto makers as well as the machinery and equipment industries, then eventual potential recovery to the $5-$6 level is seen, which would render the shares' current 19 level throughly reasonable.

Prosperous Internationalist

Despite the clouds persistently overhanging the international picture, which have often in the past given International Telephone and Telegraph stockholders some jitters, this issue is now picking up new friends. Its impressive market movement to new highs during the week presumably stems from the satisfactory earnings situation; with actual profits of 84 cents per share reported for the first quarter, up slightly from 82 cents last year; and with a record high expected for the full year 1958, against $3.12 earned last year.

* * *

Monsanto exemplifies a "growth" issue which is attracting interest at a level representing considerable deflation from its former bull market highs—32 now versus 51 in 1956. The continued maintenance of this company's long-term growth is evidenced by sales volume three and one-half times, and per share earnings almost doubled over the past decade. While this expansion has tapered off somewhat since 1955, and per share earnings during this year's quarter have sharply fallen to 27 cents, resumption of the long-term growth is confidently expected. The issue's optimists point to its investments in new fields, its broad research program, and its holdings in a number of associated companies, including Chemstrand, the second largest manufacturer of synthetics, acrilon, and nylon (jointly owned with American Viscose).

* * *

In their search for anti-cyclical industries, investors are still favoring the ethical drugs, which have done so well market-wise over recent years. Furthermore, the present high price-earnings ratios are regarded as fully justified by the additional growth characteristics of these issues, with the popularity prize seemingly still going to Merck, with its new miracle drug Diuril.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Hugh W. Long & Co. Appoints Heffernan

SAN FRANCISCO, Calif.—Edward M. Heffernan has been appointed a regional representative for Hugh W. Long & Co., Inc. He will make his headquarters at 155 Sansome Street.

He succeeds Frederic C. Coltrin, who has been elected Vice-President and General Sales Manager of the Long company.

Mr. Heffernan has spent his entire business career in the investment field, and for the past six years has been active in northern California, Oregon and Washington areas.

Mr. Heffernan has contributed articles on financial subjects to *The Commercial and Financial Chronicle.*

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

NEWPORT BEACH, Cal.—Jack L. Spence is now affiliated with Shearson, Hammill & Co., 3363 Via Lido.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — David S. Smith has joined the staff of Paine, Webber, Jackson & Curtis, 50 North Garfield Avenue.

Now Is the Time to Build

By CLIFFORD S. STRIKE*

President, F. H. McGraw & Co., Hartford, Conn.

Prominent construction company head declares today's recession is not a deterrent to plant expansion but, instead, actually is the right time to build, and is only a deterrent, if to anything, to the recession. Mr. Strike contends his industry provides more underlying support to the economy than any other particular industry; warns that the presently propitious time to build may not last very long; and expresses gratification about labor's performance, the greater availability of craftsmen and the newer materials and production devices. Tells architects, engineers, contractors, plant engineers and managers, that when the chips are down they can use ingenuity to cut costs which may seem impossible to do, and that now they must do so since we "are charged with seeing that it is done."

I have seen inflation—run-away inflation. I have lived and worked in Germany when a carton of American cigarettes would bring the equivalent of 150 American dollars in Germanmarks and when 40 pounds of lard would have procured a leica camera and lenses worth $1,000 on Madison Avenue—in Japan when 1,000 U. S. one dollar bills would just about buy up the Little Ginza — and in China when I took a party of five other men to a real Chinese restaurant in Shanghai. Waiting for me to order in Chinese would have starved us all and the Chinese Captain's English was not much better (imagine trying to use sign language to order a Peking duck dinner). So in order to get on with the ordering I took a package of Chinese dollars from my pocket, indicating that with this amount of money I was ordering dinner for six. The package contained one **million** Chinese dollars.

Clifford S. Strike

Those are among the things that I know, having lived them, and from them I know that we want no such inflation in the United States. Yet we, individually and even collectively, condone by our very actions some of the things which bring about this type of inflation. For instance, we in the construction business bargain for labor—and without passing on the merits of our bargaining groups—merely say to ourselves after negotiations have been concluded—that this must be added to our cost and that cost passed on to our customer. Certainly this is true on cost type of contracts and, in many respects, is also true on unit price or lump sum contracts. And with that start the vicious cycle continues—the capital cost to our client is higher, the charges which he must make for debt service are higher, and he — in turn — increases his prices and, since we, the contractors, are often the ultimate users of the very products which have become more expensive due to our initial start, the whole process begins all over again.

At this point I would like to borrow some remarks by Mr. Robert C. Tyson, Chairman of the Finance Committee of U. S. Steel, made before the Executives Club of the Greater Boston Chamber of Commerce last April. Mr. Tyson, while defining the type of inflation known to most everyone, which he labeled "Wartime Inflation," went on as follows:

". . . Continuous peacetime inflation is a new thing in America. You cannot read about it in the textbooks. You can think of it as a cost-plus inflation. Its fundamental root is the cntinuing elevation of employment costs resulting from the rise to tremendous political and economic power of industry-wide labor unions.

"More and more people are coming to understand and accept this as a fact, regardless of whether their attitudes be sympathetic or critical. But what people do not so fully undertsand is that when basic employment costs advance, industry by industry, to a degree greater than the rise in overall national productivity, they cannot help but force all other costs up with them. The direct employment costs of any one business may range from a small part to a very large part of its total costs. But every business must purchase goods and services from others. These purchases from others reflect the increased employment costs of the suppliers, whose own purchases reflect the increase employment costs of their suppliers in turn, and so on and so on."

Now Mr. Tyson, when he was referring to goods and services purchased from others, was looking straight at us. Others, too, to be sure—but certainly at us.

Cost Can Be and Must Be Cut

We—architects, engineers, contractors, plant engineers, and plant managers—for the purpose of this discussion may be considered one industry. We are all concerned with the capital costs and the maintenance costs in plant building and operation. We cannot all by ourselves stop this spiral toward uncontrolled inflation. We can, however, by the use of our ingenuity, make a substantial contribution toward checking the increasing rate of the past several years.

Statistics are a very essential tool in gauging almost any activity, certainly they are used a lot in our industry. But the old adage that "figures may be made to lie" is also true of statistics — they being largely made up of figures anyway. I am sure, again, that there are some experts, who can prove by statistics that the capital cost of construction has not been materially reduced at any one time in the past several years and that even now it is somewhere near its high peak. On the other hand, I would wager that there are many architects, engineers, or contractors who would like to start this year some of the same jobs that they started last year at a material reduction in the price quoted just a year ago — again speaking from what I **know**. My own company would.

That isn't meant to be an indictment that we charged too much last year. It does suggest, however, that there is ingenuity amongst us which is brought to bear when we most need the work. It is not unlike another old adage—"Necessity is the mother of invention." The fact remains that when the chips are down and costs absolutely must be pared, it can be done regardless of all the statistical information to the contrary. And it is people like us who

Continued on page 65

*From a talk by Mr. Strike before 2nd Annual *Factory Magazine* Awards Banquet, New York City.

Present Day Problems And Long-Range Outlook

By PHILIP M. TALBOTT*

Chairman of the Board, Chamber of Commerce of the U. S.

A boom to outdo all booms is predicted for the 1960's by Chairman of U. S. Chamber of Commerce. Mr. Talbott proposes and suggests we pursue wise anti-recession steps now so that we can have the boom without inflation. Premise for boom of the 1960's is based upon war babies of 1940's establishing their own homes and initiating a clamor for all kinds of goods that will tax our present production plant and necessitate expansion. States one of the solutions for getting people back to work is to encourage new plant-equipment investment—as well as consumer spending—through Federal tax revision.

I should like to report some of my findings as to the national economic picture during my year as President of the National Chamber.

Philip M. Talbott

It was my good fortune to visit every segment of our country and to talk with hundreds of business men in almost every field of endeavor, and it is my general observation that an abundance of hope and courage permeates this mighty land of ours.

I could find no one who stands in actual dread of any challenge from within—or—for that matter—beyond our boundary lines.

That does not mean we are hiding our heads in the sand. It is generally recognized that we are going through a period of economic readjustment, and this is true even in those communities where the recession has had but little or no local impact whatever.

The Pollyanna philosophy is not much in evidence. It is generally recognized that we cannot talk our way into a resurgence of booming prosperity. But it is also recognized that most of our Jeremiahs of disaster and our ravens of despair have personal axes to grind. For reasons of their own, mostly political, they would like to see the recession get much worse before it gets better.

These are the ones who are calling on the Federal Government to do something—to do anything—wise or unwise—but just do something.

It is not difficult to read into their call for drastic action a liking for a further centralization of economic authority in Federal agencies.

They ignore the fact that our long-range outlook is entirely too promising to be cluttered up in advance with the type of action which could only add grief to uneasiness.

Economic Growth and Unemployment

I regard every case of unemployment as a personal tragedy. It is not pleasant to see the securities market floundering around in the second division. I don't like to see an upturn in the sale of red ink, but let me say this:

Rational economic policy must be based on an unemotional evaluation of economic conditions; a sympathetic understanding of how a free market economic system works; a realistic appraisal of the results we can legitimately expect for various combinations of public policies, and an awareness of the future implications for economic health of the policy measures taken today.

In our changing dynamic society some fluctuation in output, employment, income and prices is part of the process of economic growth. We delude ourselves if we think that growth can be completely painless and automatic, or take place at a constant rate.

A growing economy must continuously adjust to changing conditions and demands. Population and the stock of private and public capital grow; demands change; new products and new techniques of production open new investment opportunities and make existing facilities and processes obsolete.

Economic growth is by nature a jerky process. Investment in plant and equipment tends to "bunch" in boom periods which are followed by periods of integration and the absorption of the effects of capital expansion and innovation. This "bunching" makes the age distribution of our stock of physical capital uneven and sets the stage for future fluctuations in replacement demand for capital goods.

Recessions, in a sense, are an inevitable and necessary self-correcting phase of the growth process in which maladjustments are boiled out of the system.

Healthy, balanced economic growth requires periodic readjustment before the economy can move upward again. Without such periods of self-correcting economic "shakedown," we could not use our resources efficiently and attain new higher levels of output and real income over the longer pull.

All this is not to say that all recessions are "good" or therapeutic. There is always grave danger that a downturn may become cumulative and self-reinforcing. If recession goes beyond the stage of necessary and normal corrective adjustment, new maladjustments are created in the system. Obviously, a long and deep depression involves a real waste of resources and unnecessarily delays economic progress. Furthermore, even in a minor recession there are serious inequities in how the burdens of temporary unemployment are distributed.

Tasks of Public Policy

The tasks of public policy are to prevent what should be only a lull in economic activity from cumulating beyond the range of normal adjustment and adaptation, and to alleviate individual hardship where necessary. Policy measures should be directed not at preventing adjustments but at helping to make them as prompt and painless as possible. In other words, governmental action during recession should work with, rather than against, the natural recuperative powers of the economy.

It is foolish to pretend that there are not fundamental issues at stake. Sooner or later we must face the question of how much stability of employment we really want, can legitimately expect, and the price we are willing to pay for it. Should the government take early and massive fiscal measures to stimulate employment while prices are still rising? Should the upward, wage-cost push, which goes on even while demand is falling, be validated passively by government action? In an attempt to cure some temporary unemployment should we create new maladjustments and use recovery to give the "ratchet" of inflation another upward twist? Are there not also inequities in anti-recessionary measures which seek to help some temporarily unemployed persons by robbing them and others of their savings?

Learning to live with inevitable economic fluctuations is largely a matter of building our confidence that we can cope with them should they get out of hand. There is no good reason why we cannot keep our ups and downs within reasonable limits and still allow our free economy sufficient "elbow room." But to ignore economic realities will lead to misdirected policies, create fear and distrust, and jeopardize our economic future.

Ultimately, rational, effective stabilization policies require a high degree of both economic understanding and fiscal responsibility in government. The problems are not inherently insoluble, but we will delude ourselves if we think there is an easy solution—or even a single solution.

Getting People Back to Work

One of the solutions to the riddle of getting people back to work is to encourage investment in new plants and equipment—as well as consumer spending—through Federal tax revision. Unless we are swept from recession to depression by unsound government policies or by yielding to labor bosses' demands for increased wages without regard to productivity, the 1960's are going to give us a boom to outdo all booms—and if we are wise about present-day action, we can have that boom without another spiral of inflation.

By the 1960's, the war babies of the 1940's will be establishing homes of their own. There will be a clamor for goods of all kinds. Our present production plant will not be enough, and blueprints for expansion are already on the drafting boards.

There would be more of them if we could have tax reductions—right across the board — which would encourage upper- and middle-income groups to invest. That would create jobs, while at the same time, it would enable those in the lower-income brackets to buy more goods and services.

The National Chamber suggests reducing the 20% lowest individual income bracket rate to 19% immediately — and eventually to 15%. It would put a 60% maximum rate on individual taxes, instead of the present 91%, and would lower this later on to 40%.

The Chamber suggests reducing the middle-income tax brackets by one percentage point, granting a considerably faster depreciation schedule and reducing the 52% corporate tax rate to 50%, with eventual reduction to 40%.

If tax relief is going to pack real meaning and provide actual help to all our people, it will be found only in rate reduction. Discriminatory and patchwork relief—which appeals to many clamoring voices today—only serves, in the end, to send tax rates up and makes them more unbearable tomorrow. Then more relief is required. This has been the unfortunate pattern of our tax system over the years.

It is time to design a new pattern for the loom of the future.

*From a talk by Mr. Talbott before the Washington Real Estate Board, Inc., Bedford Springs, Pa., May 30, 1958.

Joins Municipal Dept. Of Kuhn, Loeb & Co.

Kuhn, Loeb & Co., 30 Wall Street, New York City, announced that William F. Dore has become associated with the firm in its municipal department. He was formerly with Halsey, Stuart & Co. Inc.

Hansen Officer of Wm. E. Pollock Co.

John B. Hansen has been elected Assistant Vice-President of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City.

T. V. A. Expansion Program Opposed by Investment Bankers Association of America

Public Utility Securities Committee's report to Investment Bankers Ass'n advances numerous arguments opposing current T. V. A. Federal legislative proposals, and the concept and practices of the Tennessee Valley Authority. Asks for defeat of proposed legislation and in calling for adequate solution for T. V. A. and entire Federal public power problem, suggests orderly divestment program of T. V. A. from Federal Government to stop threat to private utility industry and our economic society.

A strong attack on pending Tennessee Valley Authority legislation and Federal public power problem as a whole was delivered to the Board of Governors of the Investment Association of America at its recent meeting held at White Sulphur Springs, West Virginia, by a Public Utilities Securities Committee headed by Thomas Johnson of Johnson, Lane, Space Corporation, Savannah, Georgia.


Thomas M. Johnson

In calling for and explaining necessity for a forceful stand on public power problem, the Public Utility Securities Committee of the Investment Bankers Association expressed to the industry its compelling concern over the persistent trend toward socialism in the Federal public power field. It warned the membership that current legislative proposals for the Tennessee Valley Authority, if enacted, would remove even the limited restraints now exercised over the Government's gigantic TVA utility operation.

The Committee report went on to state that: "the two bills now before the House are S. 1869, the Kerr Bill, and H.R. 4226, the Davis Bill. Superficially, their similar purpose is to authorize TVA to issue revenue bonds to finance the construction of additional power facilities as judged necessary by the three directors of the Authority; in the Senate Bill only is the amount of bonds limited to $750 million.

"To a harassed Congress faced with many essential demands for appropriations, these two bills might appear to offer a practical alternative to further outlays for the insatiable requirements of TVA. To the general public, it may seem a logical way of putting the Government's power project on a 'business-like' footing. Even to investment bankers, the underwriting and distribution of a Federal revenue bond issue may not be entirely lacking in appeal.

"Our Committee, however, is convinced that this proposed legislation can only provide, not a sound basis for TVA activities in the future, but complete emancipation and unrestricted license for the proponents of Federal public power. We believe that it would release the Authority from all effective Congressional and Executive control, that it would encourage indefinite expansion of territory and unrestrained competition, and that it would perpetuate unsound and inequitable financing. We submit that as the agents of private investors, we should take a forceful stand not only to defeat this specific legislation but to work out an adequate solution for TVA and for the entire Federal public power problem.

TVA Growth

"A brief review of the growth of public power and TVA shows that since 1931, publicly owned installations increased from a nominal 6½% of total electric nameplate capacity to 24% at the end of 1956. On Dec. 31, 1956, 15% of the total installed generating capacity of the nation was Federally owned, and more than half of this was operated by the Tennessee Valley Authority.

"The TVA is the largest power enterprise in the USA, serving a present territory of 80,000 square miles, and representing a taxpayer investment of $1.6 billion in power facilities. In May, 1933 the Tennessee Valley Authority was deeded the Government's Muscle Shoals project for the primary purpose of flood control and navigation. It was only incidental to such activities that the enabling law permitted TVA to construct and operate power facilities at navigation and flood control dams. Notwithstanding this original intent, today the major business of the Authority is its electric operations and 70% of its capacity is fuel generated, not hydro. Nor is there an end in sight, for it has been announced that an additional $160 million of new generating plant will be needed annually, and because further hydro-electric development is not economically feasible this, too, will have to be fuel generated.

"Federal power is subsidized power in any case, but doubly so in TVA where the burden on the rest of the country is compounded.

"Unrepaid appropriations by Congress to the TVA approximate $1.2 billion for power purposes alone, and to this must be added $413 million of accumulated net power income plowed back into the property. This represents an investment by the taxpayers of the entire nation, yet the residents of the five states in any way benefiting from TVA have contributed in taxes something less than 6% of the total. In other words, more than 94% of the investment has been provided by the taxes of the rest of the country to the advantage of this one geographic area. It is only salt in the wound when industry is attracted from other states to the Valley by power given away as much as 40% below the average cost elsewhere."

Quotes Comptroller General

"Let us note the breakdown of electric sales for the fiscal year 1957: Only 29% of the Authority's output went to residential and farm consumers through municipalities and cooperatives, while nearly half as much—or 14%—went to benefit industrial and commercial customers. The balance of 57% was all taken by other Federal agencies, mostly the Atomic Energy Commission. Yet the AEC has begun to cut back its electric requirements, and last July announced the release of 500,000 kilowatts of interim power. Thus, it may be anticipated that this agency load will continue to contract and compel the Authority to make further efforts to bring in new industry to the detriment of the other areas. As the Comptroller General wrote the Senate Public Works Committee in 1955, 'This great dependence of the system on a continued enormous government power demand leads to the suggestion that, in any expansion program, the affairs of the TVA should require unusually close control by the Congress and the Executive Branch of the Government.'

"Aside from taxpayer contributions of initial capital and the retained earnings, TVA, of course, enjoys a continuing subsidy. It pays no interest on its capital; it pays no taxes, local, State or Federal; and it is freed of many charges such as workmen's compensation, pensions and other fringe benefits provided by the Government at no cost to the Authority. Although nominal payments are made to local and state bodies 'in lieu of taxes,' the combined amount for both the Authority and its intervening distributors amounted to only 3.66c of the 1956 revenue dollar, as compared with an average of 23.4c paid out for taxes of all kinds by the investor-owned utilities in the same period. Return of capital to the Treasury since 1947 has amounted to $240 million, but this represents an annual average well below 1%. Regardless of the exact computation as to the extent of subsidy granted TVA, it seems patently obvious that the claim of a 4% return earned on the Government's investment is only a bookkeeping fantasy.

"This Committee believes that before any consideration can properly be given to the financing of TVA, certain vital policy decisions must be made to curtail the arrant growth and unfair advantage of this project and other similar Federal power undertakings. We contend that the Kerr Bill and Davis Bill, and any other similar legislation must be defeated. We endorse the report of the minority members of the House Committee on Public Works opposing the latter Bill, 'because the subject matter of the bill provides a vast expansion of authority to the TVA, without proper controls, and violates the will of Congress as expressed in existing legislation, and also violates the recommendations of the President of the United States, the Comptroller General, the Secretary of the Treasury, and the Bureau of the Budget.'

"It is not the province of the Public Utility Securities Committee to enter into any controversy as to the advisability or legality of authorizing the issuance of Federal revenue bonds as a matter of principle. Instead, our objections to the proposed legislation are based on the continuing threat to the investor-owned utility industry and thus to our entire economic society. We believe the time has come not only to call a halt to further competition from our Government in business, but to start reversing the trend."

Suggests Divestment Program

"Basically, therefore, we strongly recommend the orderly divestment by the Federal Government of the TVA and until such divestment can be accomplished we recommend to the Congress that the present laws governing the Tennessee Valley Authority be amended so as to accomplish the following program:

"Deny further extension of the present service area.

"Require regular interest and significant repayments of principal to the Treasury.

"Pay State and local taxes equivalent to those of private enterprise.

"Place TVA under the jurisdiction of the Federal Power Commission for the supervision of accounts and conditions of service and for the determination of rates adequate to cover all costs of operating its power facilities including taxes, interest and amortization of investment"

Respectfully submitted,

PUBLIC UTILITY SECURITIES COMMITTEE

Thomas M. Johnson, The Johnson, Lane, Space Corporation, Savannah, Ga., Chairman.
Elwood D. Boynton, C. F. Childs and Company, Inc., New York, Secretary.
William N. Bannard, 3rd, American Securities Corporation, New York.
Carl C. Brown, Laurence M. Marks & Co., New York.
Edward J. Costigan, Jr., Edward D. Jones & Co., St. Louis.
Carl H. Doerge, Wm. J. Mericka & Co., Inc., Cleveland.
Thomas B. Gannett, Hornblower & Weeks, Boston.
W. Ronald Gill, G. H. Walker & Co., Providence, R. I.
Albert H. Gordon, Kidder, Peabody & Co., New York.
Edwin B. Horner, Scott, Horner & Co., Lynchburg, Va.
B. F. Houston, Dallas Union Securities Company, Dallas.
James M. Howe, Farwell, Chapman & Co., Chicago.
Milton F. Lewis, A. G. Becker & Co. Incorporated, New York.
Edgar J. Loftus, W. E. Hutton & Co., Philadelphia.
Wallace M. McCurdy, Thayer, Baker & Co., Philadelphia.
George L. Nye, Smith, Barney & Co., New York.
Robert H. O'Keef, The Marshall Company, Milwaukee.
John W. Pancoast, Dewar, Robertson & Pancoast, San Antonio.
James M. Powell, Boettcher and Company, Denver.
Albert E. Schwabacher, Jr., Schwabacher & Co., San Francisco.
J. Raymond Smith, Weeden & Co., Inc., New York.
Carl Stolle, G. A. Saxton & Co., Inc., New York.
Harold H. Young, Eastman Dillon, Union Securities & Co., N. Y.

R. L. Du Gene Partner In Blunt Ellis

CHICAGO, Ill.—Robert L. Du Gene has become associated with Blunt Ellis & Simmons, 208 South La Salle Street, and has been admitted as a general partner, it was announced. He is a graduate of Ohio Wesleyan University and has received training in engineering as well as business. He began his career as an accountant with the General Electric company in New York and was later with Marshall Field & Co. in Chicago. His experience in the investment securities field includes working with individuals, banks, insurance companies and trustees. During the past three years he has spoken before more than 150 various groups on investments and conducts a regular adult education course on the subject.


Robert L. Du Gene

Blunt Ellis & Simmons are members of the New York and Midwest Stock Exchanges. Other partners include John E. Blunt, 3rd, R. Winfield Ellis, Richard W. Simmons, Walter J. Fitzgerald, Jr., Eugene Hotchkiss, Gilbert H. Osgood, Robert H. Gardner, Stanley E. Cronwall, Robert M. Clark, Bernard J. Cunningham, Harvey H. Orndorff, and Robert Evans Maxwell (limited).

Keller Co. Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Ernes M. Pitschman has been added to the staff of Keller & Co., 31 State St.

The Place of Public Relations In Modern Management

By ANTHONY G. DeLORENZO*
Vice-President, Public Relations
General Motors Corporation, Detroit, Mich.

Mr. DeLorenzo defines public relations, briefs essential P. R. principles and practices, and contrasts the workings of this endeavor in the automobile and electric utility industries. Notes both industries share the same problems of government encroachment and accusations of "bigness"; envies direct contact electric utility has with its customers; and commends electric industry for doing an outstanding job with a variety of techniques.

It is my belief that the electric utility industry occupies the strongest public position in its history. This is the opinion of an outsider and it is not based on any profound research, but sometimes such off-the-cuff opinions are helpful.


A. G. DeLorenzo

I would also say in all sincerity that much of the credit for your improved public position should go to the well-conceived and well-planned public relations activities you have undertaken as a group and as individual companies.

You have established yourselves as experts in the field of public relations. However, if, notwithstanding that, you folks in Newcastle still want coal, I for one do not object to carrying it.

Let me begin with a confession. I am *not* very proficient in public relations semantics. Sometimes I even have my doubts whether public relations has yet attained the stature of other professions.

For one thing, we don't have any impressive paraphernalia. The engineer has that mysterious contraption called the slide rule; the accountant has his calculator. Doctor and dentist have formidable assortments of weapons, while the lawyer can cite obscure cases from forbidding shelves of musty volumes.

We have no accessories in our trade, and I think this is one reason for the tendency I have noticed to surround public relations with a mumbo-jumbo of mysterious phraseology.

Such phrases as "the engineering of consent," "perceptual context" and "image profile."

In one rarified discussion a practitioner defined public relations as "the science of propulsion of motivation."

My concept of public relations is somewhat more down to earth. To me it means primarily—

"Getting along with people."

A company can be said to have good public relations if it gets along with people.

A good public relations man has the ability to get along with people. People individually and people in groups. Unfortunately, some public relations men mistake the first for the second. They think, if you get along with people individually—over a martini, for instance—the rest comes easy.

Actually, the second is most important — getting along with people in groups—employees, customers, shareholders, suppliers (in our case) dealers, neighbors and, of course, that biggest and most indefinite of all groups — the public.

Perhaps, before I go any further, I had better explain a point that frequently confuses our thinking about public relations.

Public Relations Distinction Made

Actually, we use the phrase "public relations" to describe two separate things—a state of being and an activity.

Public relations means, first of all, a company's relations with the public—in other words, how it stands with the public, whether people like or dislike it and its products. In this sense public relations is a plural noun.

But public relations also means the things the company does in a formalized activity to *influence* its relations with the public. In this sense it is singular.

All groups have "public relations" spelled with a small "p" and a small "r." Whether we like it or not, whether we want to or not, you and I *have* relations with the public or a public.

But — whether these relations are good or bad can depend in substantial degree on what we do about them in a conscious way. This is Public Relations, the organized activity, with a capital "P" and a capital "R."

I think it is important to make this distinction. Otherwise we tend to become bogged down in a morass of words. It is important to know, when someone says the Edison Consolidated Company has good public relations, whether they mean it has a smart public relations staff or whether they just mean its relations with the public are good.

Not too many years ago a company's relations with the public were presumed to be good until they got so bad they smelled to high heaven. At this point the company president would get a bit worried, call in us fire laddies and say he thought he detected a faint aroma of smoke. Of course, the whole place was ablaze by then, and often there was nothing to do but rebuild from the ground up.

Some public relations practitioners are still required to spend most of their time trying to make a silk purse out of a sow's ear. By and large, however, the public has learned to recognize a pig, even in a poke.

What this means is that public relations has to start with a solid foundation of good deeds. This is what we have in mind when we say that the *job done* is an essential prerequisite to public acceptance. *Make* a good product, live right, *treat* your employees well, be competent managers and so on, and you have laid a solid foundation for good public relations.

For the very small company this is usually the sum total of good public relations. Good employer, good product, good service, good neighbor; add them up and you have good relations with the public.

Fortunately for us in the business, this is not the whole story by any means. For the larger company, *while* doing a good job is fundamental to good public relations, *how* you do the job is important too. The job must be done in the *right way* or the effect on one's public relations can be little short of disastrous.

Some years ago we decided to build a plant in—let's call it, Glen Springs. We got together a tract of land. Then we drew up our plans, filed them and petitioned to have the property rezoned for heavy industry. Immediately, all hell broke loose. Citizens committees, action committees, church groups, town councilmen jumping on the band wagon—you'd have thought we were planning to pillage and sack the community and carry off the women and children into slavery.

It took months to convince Glen Springs that we weren't going to build an eyesore; we weren't going to pollute their river; we weren't going to create a smoke nuisance; our trucks weren't going to endanger their children. Eventually, we did win reluctant consent to the project and went ahead to build our plant. What is the sequel? Today our community relationships in Glen Springs couldn't be better. The people there are very proud of their General Motors plant.

But how much simpler if community leaders had been consulted right after we acquired the land, if our plans had been explained to them, if assurances had been given as to what the plant would not be. What a Herculean effort would have been avoided. We had to learn our lesson the hard way.

One reason for this, I think, was that public relations in those days was the frosting on the cake—something you put on after the layers came out of the oven and just before company came. This brings me to a most important point.

Using PR at Very Start

Doing a good job in the right way means, among other things, giving consideration to its public relations aspects at the very start.

This explains why we say that public relations is a management function—a top management function. Every policy decision, every administrative action all down the line, has a public relations aspect to which consideration must be given. And this consideration must come *before* the decision is made or the action taken—not after.

As I pointed out a moment ago, public relations started out as a fire department, and we still get called out in the middle of the night on occasion. But increasingly we are concerned with preventing fires by having something to say about the materials that go into the house in the first place.

If we had given consideration to the public relations aspects when we first decided to build a plant in Glen Springs, I doubt we would ever have been in trouble. We would have asked ourselves right at the start, will the community oppose the idea and for what reasons? Have we answers to objections that will seem valid to the community? How best can we present them?

Mind you, I am not saying that the public relations aspect of any policy or action should control. Usually, other considerations take precedence.

A lay-off, for example, may not seem wise from the public relations standpoint, but when customers lack confidence and exercise their right to refrain from buying, lay-offs become necessary. In making the decision to lay off some employes we should, however, be aware of what the public reaction will be.

The point to be borne in mind is that public relations is never an end in itself but only a means to certain ends. A good public standing in the community is not worth much to the company that has gone broke achieving it. As D. W. Brogan says, the duty of the businessman is to keep his company solvent and this duty transcends all others. This may seem obvious, but I am afraid that it is forgotten.

If we keep in mind that our end objective in seeking to improve our public standing is not solely to become "a jolly good fellow" but primarily to increase sales or do a better production job — in other words, to perform our function of operating a profitable business—then we shall be better able to identify and assess the public relations aspects of policies and actions.

Going beyond our immediate reaction that a lay-off will be unpopular and therefore unsound from a public relations standpoint, we may conclude that in a specific instance it is actually in the long-term public relations interest of the company.

This may appear to be a pretty agile rationalization, but bear with me a moment. Are employees temporarily out of work better off than ex-employees of a company that has gone broke? Is a community with a plant at half-mast better off than one with a factory whose windows are broken and whose parking lot is knee-high with weeds?

I am mindful of a company that thought it was building good relations with its employees by agreeing to substantial concessions having to do with the operation of the plant. This was when its products were in great demand after the war. Now, even the employees themselves are critical of this management for imperiling their jobs by letting the company get into a bad competitive position.

What the management failed to do was take a firm position and then give the reasons for it. This leads me to another important part of the Public Relations job. First it is important to let people

Continued on page 53

*An address by Mr. DeLorenzo before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 11, 1958.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

George Champion, President of the **Chase Manhattan Bank, New York,** announced the appointment as Assistant Treasurers of James B. Greene, Jr., Dominick H. Mottola, William F. Murphy, William S. Ogden, and John R. Petty, all of the international department.

Domingo Rinaldi T. was promoted from Assistant Manager to Manager of Puerto Rican branches.

Hector M. Angueira and Charles A. Whitcomb were named Assistant Managers of Puerto Rican branches, while Alfred J. Buckley, Suheil E. Abu Hamad, and Mario Galimberti were appointed Managers of the Beirut branch.

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Eugene Holman, Chairman of the Board of Directors and Chief Executive Officer of Standard Oil Company, New Jersey, has also been elected a Director of the **Chase Manhattan Bank.**

* * *

Robert B. Silleck and Roderic B. Swenson have been appointed Vice-Presidents by **The First National City Bank of New York.**

Robert B. Silleck Roderic B. Swenson

Mr. Silleck is with the Correspondent Bank Department, and Mr. Swenson is associated in the supervision of the Southwestern District of the bank's National Division. Both were formerly Assistant Vice-Presidents.

At the same time the bank announced the promotion of John W. Roberts from Assistant Cashier to Assistant Vice-President. Mr. Roberts is with the Consumer Goods and Commodities District of the National Division.

* * *

Herbert K. Baskin, Vice-President of **Bankers Trust Company, New York,** has been named to head the company's 39th Street and Seventh Avenue branch, it was announced by William H. Moore, Chairman of the Board. Mr. Baskin succeeds the late Joseph Singer.

Associated with the 39th Street Office of Bankers Trust Company since 1932, Mr. Baskin joined the **Public National Bank & Trust Company, New York,** in 1929. He was named a Vice-President of that bank in 1953 and joined Bankers Trust Company in 1955 when Bankers merged with the Public National Bank.

* * *

Commercial State Bank and Trust Company of New York was given approval to increase its capital stock from $2,232,075 consisting of 89,283 shares of the par value of $25.00 each, to $2,276,725 consisting of 91,069 shares of the same par value.

* * *

Percy C. Magnus on June 12 celebrated his 40th year of service as a Trustee of the **East River Savings Bank, New York.** Mr. Magnus was the youngest man in 1918 to serve on the board of a savings bank in New York State.

Mr. Magnus is a director of Jacob Ruppert Co., The Fifth Avenue Association, the New York Board of Trade and a member of the Arbitration Committee of the American Arbitration Society. He is also a trustee of the **Kings County Trust Company of Brooklyn, New York,** and a director of the **Underwriters Trust Company of New York.**

At a luncheon given for Mr. Magnus at the bank, in its 110th year, Mr. Magnus, the 10th trustee to achieve a 40th anniversary, was presented with a sterling silver memento.

* * *

Dr. William Jansen has been elected a Trustee of the **Lincoln Savings Bank, New York.**

* * *

Albert C. Simmonds, Jr., Chairman of **The Bank of New York,** announced June 17 the promotions to Assistant Vice-President of Raymond W. Hammell of the Investment Department, and Gregory W. Spurr, Jr., of the Banking Department. Richard L. McKinlay was named Trust Officer in the Estate Division of the Trust Department.

T. Rex Rhodes was appointed as Assistant Treasurer in the Banking Department.

* * *

Stanley H. Grant has been elected Vice-President in charge of branch administration of the **Lafayette National Bank of Brooklyn, New York.** Mr. Grant formerly was an Assistant Vice-President and Manager of the Bay Parkway branch. The bank also announced the election of Charles Kitlitz as Executive Vice-President. He was formerly a Vice-President.

* * *

The election of Sir Geoffrey Crowther and Lord Sinclair of Cleeve, K.C.B., K.B.E., to the Advisory Board on International Business of **Chemical Corn Exchange Bank, New York,** was announced June 16 by Harold H. Helm, Chairman.

Lord Sinclair Sir Geof. Crowther

* * *

Ben C. Peticolas has been elected Executive Vice-President of the **Meadow Brook National Bank, West Hempstead, L. I.** Formerly a Vice-President, Mr. Peticolas was with the **Passaic-Clifton National Bank, Passaic, N. J.,** and the **First National Bank, Kearny, N. J.,** before he joined Meadow Brook in 1953.

* * *

Central Bank and Trust Company, Great Neck, New York, was given approval to increase its capital stock from $1,114,590 consisting of 111,459 shares of the par value of $10 each, to $1,814.590 consisting of 181,459 shares of the same par value.

* * *

Emil R. Heger, a Vice-President of the **Meadow Brook National Bank of West Hempstead, L. I.** died June 11 at the age of 83. Mr. Heger had been President of the **Bank of Malverne, L. I.** for 20 years. He was elected Vice-President of the Meadow Brook when the banks were merged last year.

* * *

The Home Savings Bank of White Plains, White Plains, New York elected Fred W. Vollmers Chairman of the Board, Danby C. Osborn President. Maurits Kullberg was elected Vice-President and Walter J. Dianis Secretary.

* * *

Alfred H. Hunt Jr., has been elected Vice-President of the **National Commercial Bank and Trust Company, Albany, New York** in its investments division.

Pilgrim National Bank of Boston, Mass., with common capital stock of $1,500,000, has gone into voluntary liquidation by a resolution of its shareholders dated April 30, effective June 2, at 9:00 a.m. Liquidation agent: Allan H. Sturges, 31 Milk Street, Boston 9, Mass.

* * *

The transfer of $1,000,000 from the undivided profits to the surplus account of the **Commercial Trust Company, New Jersey,** has brought the bank's total capital funds to $10,000,000, making it eligible to make single loans of as much as $1,000,000. The undivided profits account is now $1,326,060.

* * *

The Grange Trust Company, Huntingdon, Pa., and **The First National Bank of Huntingdon, Huntingdon, Pa.,** consolidated under charter of the latter bank and new title **First-Grange National Bank of Huntingdon, Pa.**

* * *

Gimbel Brothers Bank & Trust Co., Philadelphia, Pa., will become part of the **Philadelphia National Bank, Philadelphia, Pa.,** it was announced in a joint statement issued by H. J. Grinsfelder and Frederic A. Potts, Presidents of the respective institutions.

Action by the Board of Directors of both banks paved the way for the unique department store bank to become the 24th branch of Philadelphia National Bank. It will be designated as the Gimbel office of the Philadelphia National Bank.

Under the terms of agreement, still subject to the approval of supervisory authorities, Philadelphia National will assume all the deposit liabilities and will purchase certain assets of the 33-year old Gimbel bank at the close of business July 12.

* * *

The Huntington National Bank of Columbus, Columbus, Ohio, with common stock of $6,000,000; and **The Market Exchange Bank Company, Columbus, Ohio,** with common stock of $600,000, have merged, effective as of the close of business May 29. The consolidation was effected under the charter and title of **The Huntington National Bank of Columbus.**

* * *

Eliot G. Fitch, President of the **Marine National Exchange Bank, Milwaukee, Wis.,** announced the election of Ralph T. Friedmann to the bank's Board of Directors. Mr. Friedmann, who was elected at the June 12 Board of Directors' meeting, fills the vacancy left by the death of Robert E. Hackett, Sr., last March.

Mr. Fitch also announced declaration of a quarterly dividend of 50 cents a share on capital stock payable July 1, to stockholders of record June 16.

* * *

Winfred Wm. Wuesthoff has been named Assistant Vice-President and Trust Officer of the **Marine National Exchange Bank, Milwaukee, Wisconsin,** in charge of investment research for the Trust Department. Wuesthoff has been engaged in investment research for the Marine since 1947 and held the title of Assistant Vice-President prior to this appointment. According to the announcement made by Eliot G. Fitch, Marine President, Wuesthoff will be taking over the responsibilities in the Trust area previously handled by Milton O. Johnson who retired May 31.

* * *

The First National Bank of Minneapolis, Minn., increased its common capital stock from $12,000,000 to $14,580,000 by a stock dividend and from $14,580,000 to $15,000,000 by the sale of new stock, effective June 4. (Number of shares outstanding — 750,000 shares, par value $20.)

Arthur R. Robinson of the New York investment firm of Wertheim & Co. has been named a Vice-President of **Industrial National Bank of Providence, R. I.** His appointment becomes effective July 14.

Arthur R. Robinson

Mr. Robinson, currently manager of the New York firm's municipal department, will be associated with Assistant Vice-President John E. Howard in the newly formed municipal department of the Providence bank. The department will continue under the supervision of Vice-President John J. Cummings of the Bank's investment division.

Mr. Robinson has had over 25 years' experience as a municipal dealer. He operated his own firm for some years and later established a municipal department for a large New Jersey bank. He has recently been manager of municipal departments in several brokerage houses.

* * *

Empire National Bank of St. Paul, Minn., increased its common capital stock from $1,000,000 to $1,500,000 by the sale of new stock, effective June 3. (Number of shares outstanding—15,000 shares, par value $100.)

* * *

By a stock dividend the **Merchants National Bank of Fort Smith, Arkansas,** increased its common capital stock from $500,000 to $1,000,000, effective May 31. (Number of shares outstanding—40,000 shares, par value $25.)

* * *

The appointment of Mr. J. Arch Avary, Jr., as Vice-President of **Mercantile National Bank of Miami Beach, Fla.** has been announced by Joseph Weintraub, President and Chairman of the Board.

Mr. Avary comes to Mercantile from Atlanta, where for the past year he was with Goodbody and Co., in that city. Previous to that, he was for 27 years with the **First National Bank of Atlanta, Ga.** having been a Vice-President since 1939.

His first full-time banking jobs were in Orlando, Fla. After a year in New York City with the **National Bank of Commerce** (now **Guaranty Trust**) he returned to Atlanta.

* * *

Stockholders of the **First National Bank of Miami, Miami, Fla.,** have approved sale of an addi-

tional 100,000 shares of capital stock. The new stock will be offered to stockholders at $34 a share on the basis of one new share for each five now held.

* * *

Surplus of **The Hialeah-Miami Springs Bank, Hialeah, Fla.**, has been increased to $600,000.00 following Directors' approval of transfer of $100,000 from Undivided Profits.

With capital stock of $800,000 and remaining undivided profits of $437,377, capital funds of Dade County's oldest state-chartered Bank now total $1,837,377.

Directors also declared a regular quarterly dividend of 20 cents a share, payable July 1 to holders of record June 20.

Resources now total $31,288,996 as against $28,223,000 a year ago, Charles E. Buker, President and Board Chairman reported.

* * *

Mutual Bank and Trust Company, St. Louis, Mo., has changed its title to **Security-Mutual Bank and Trust Company.**

* * *

By a stock dividend, the common capital stock of the **State National Bank of Decatur, Ala.**, was increased from $1,200,000 to $1,320,000 and from $1,320,000 to $1,500,000 by the sale of new stock, effective June 5. (Number of shares outstanding—150,000 shares, par value $10.)

* * *

The Board of Directors of **The National Bank of Commerce in New Orleans, La.**, announced the election of John A. Oulliber as President, and Clebert C. Smith as Executive Vice-President-Credits, on May 20 and on June 3 announced the death of Dale Graham, Chairman of the Board.

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Election of Lloyd Silberberger as a Trust Officer of the **Republic National Bank, of Dallas, Dallas, Tex.**, was announced by James W. Aston, President of the bank, following the regular monthly meeting of the bank's board of directors.

* * *

Wichita National Bank of Wichita Falls, Tex., increased its common capital stock from $700,000 to $800,000 by a stock dividend and from $800,000 to $1,000,000 by the sale of new stock, effective June 3. (Number of shares outstanding—40,000 shares, par value $25.)

* * *

The First National Bank in Wellington, Texas, with common capital stock of $100,000, has gone into voluntary liquidation by a resolution of its shareholders dated May 19, effective May 24, at 4:30 p.m. Liquidating agent: Mr. E. M. Hunter, who should be addressed in care of the liquidating bank. The liquidating bank was absorbed by **Wellington State Bank, Wellington, Tex.**

* * *

Permission has been granted by the Comptroller of the Currency to open a new bank to the **First National Bank, Cortez, Cortex, Colo.** W. E. Bozman is President, T. R. Yowell is Cashier. The bank has a capital of $150,000 and a surplus of $150,000.

* * *

Frank L. King, President of **California Bank, Los Angeles, Calif.**, has announced the promotion of nine California Bank officers, following a meeting of the Board of Directors.

Elected Vice-Presidents of the bank were Norman Barker, Jr., out-of-town division; Charles W. Devan, city division; and Louis M. Schaefer, instalment loan department.

William H. Wieland, Jr., was elected Comptroller of California Bank, Earl K. Simpson was elected to the post of General Auditor, and Thomas E. Mead became Auditor.

Named Assistant Comptrollers were Thomas B. Carson, Albert R. Jacobson, and Raymond H. O'Conner.

* * *

The Bank of Montreal, Montreal, Canada on June 18 changes among top executives at its New York Agency, its Ontario division and head office in Montreal.

R. D. Mulholland, assistant general manager in charge of the bank's Ontario division, with headquarters in Toronto, has been appointed deputy general manager of the Bank at its head office in Montreal.

Mr. Mulholland will be succeeded in Toronto by John A. Hobson, senior agent at the Bank's New York agency. Gordon V. Adams, now an agent at New York, will succeed Mr. Hobson, while Joseph C. H. Kenner, now an assistant agent in New York, will succeed Mr. Adams.

Mr. Hobson entered the Bank in 1923. He has been senior agent in New York since 1955. Mr. Adams joined the Bank of Montreal at his home town, Saint John, N.B., in 1922, and has served at the New York agency since 1953. Mr. Kenner has spent his entire business career of 38 years at the New York agency.

* * *

Interstate Secs. Branches

Interstate Securities Corporation has opened a branch office in the Northwestern Bank Building, Newton, N. C. under the management of Claude S. Abernethy, Jr., and in Winston-Salem under the direction of Bill Sexton.

Price of Gold and Gold Outflow

Two separate analyses of monetary gold question deal, respectively with domestic gold price considerations, and effect of gold outflow on bank reserves. The First National City Bank of N. Y. does not approve of price increase during inflationary environmental conditions, and Federal Reserve Chairman assures U. S. Senator Robertson that there's no danger in recent outflow of gold and that its effect upon bank reserves can easily be offset by central banking measures.

The June monthly *Bank Letter* of the First National City Bank of New York opposed an increase in price of gold in absence of "imperative and inescapable" need to do so and pointed out, for example, that our last gold devaluation "had a legitimate object of encouraging recovery of a painfully and inequitably deflated world price structure."

In another area in which he expressed concern regarding possible effect of recent outflow of gold from the United States, Virginia's Senator A. Willis Robertson asked Federal Reserve Chairman William McC. Martin to comment on this matter, which the Senator included with his remarks published in the *Congressional Record*, April 30, 1958 (pp. 6907-08). Chairman Martin foresaw no danger to our gold-certificate holdings of the Federal Reserve System and emphasized that such international gold movements assist the workings of the international gold standard and can easily be offset whenever they affect the reserve position of our banks.

The First National City "Bank Letter" noted that "as has happened several times before in the postwar years, the financial markets this Spring have been swept by rumors that the U. S. dollar price for gold—$35 an ounce since 1934—was going to be raised. Such a usually responsible organ as *The Economist* of London has gone so far as to suggest that the price should be trebled. Stocks of gold mining companies have been in strong demand in the London and Canadian markets and also to some extent here. Counseling a healthy caution, on the other hand, is the fact that speculative fingers have been burnt so many times by gold rumors that proved false.

"An increase in the $35 price will almost certainly figure in the discussions of finance ministers at the British Commonwealth conference in September and at the International Monetary Fund meeting in October. South Africa, the largest producer, has been pressing the case for many years and the idea of a higher price is now receiving widened support in the Commonwealth which also, of course, includes some other countries with important gold production—Canada and Australia.

"The idea has more superficial plausibility now than on the earlier occasions when a gold price advance has been discussed. We have had chronic inflation since the war and, indeed, most of the time since 1933-34 when the price was raised from $20.67 to the present $35. Each turn of the inflation spiral adds to the danger that some day U. S. gold policy may need to be reconsidered. But this is not by any means to say that the time for a price change has arrived. The Federal Reserve has taken a series of measures which defer the need: the credit squeezes of 1953 and 1957 which checked inflation; and the reductions in bank reserve requirements in 1953-54 and again this year which make more economical use of the U. S. gold reserves.

* * *

The Recession Argument

"Some observers abroad are inclined to think that the U. S. Government may be led to raise the price of gold as an anti-recession measure. The direct benefit of such an increase to American business would be minor for gold mining is of rather negligible importance. An increase would, of course, be helpful to gold-producing countries. They would gain buying power at the expense of nonproducing nations.

"The last—and only—time the dollar price of gold was significantly changed was during the great depression. The situation was quite different. Then the Federal Reserve had been embarrassed by gold shortage in fighting the depression. Now the Federal Reserve holds $9.7 billion excess gold reserves; gold is not a limiting factor in applying measures to increase money and credit supplies as aids to recovery. In 1934 the 69% increase in the gold price was designed to raise our prices generally — an object of dubious merit in the present instance. Then our policy was selfish and nationalistic; we sought to improve our trade position at the expense of other nations and, incidentally, threw the world currency system into a turmoil from which—with the war — it has never fully recovered. Now we have a higher respect for international responsibilities.

"The dollar is used more commonly than gold in financial settlements among the nations and it is in our interest that this should be so. Any alteration in the ratio of gold to the dollar would have large implications, running far beyond a bonanza to gold miners. For example, an increase in the dollar price would penalize foreign governments, banks, and individuals who have trusted the dollar; it would hand out windfall profits to those who have not. The intricate world-wide machinery of industry and trade needs credit and trust as lubricants. The very talk of a rise in the dollar price of gold is a threat to prosperity. The sooner the question ceases to disturb men's minds the better.

"Any nation can raise the price it will pay in its own currency for gold. An increase in the price of gold is tantamount to — or a method of—currency devaluation. Many nations, sometimes more than once, have devalued their currencies over the postwar period. They have done so reluctantly, because they had to. It is natural that currency devaluations should be undertaken with greatest reluctance. For devaluation generally means higher prices and higher prices are unpopular. The United States is no exception to this rule. The dollar price of gold will scarcely be advanced unless the need to do so becomes imperative and inescapable.

Gold on the Escalator?

"The most imposing argument for an increase in the gold price is that the growth of world trade plus inflation create a need for more gold reserves which can be provided by marking up the price, world-wide. *The Economist*, for

Continued on page 61

Small Business Today And World Events

By WENDELL B. BARNES*
Administrator, Small Business Administration
Washington, D. C.

Administrator Barnes reviews areas of strength and weaknesses of small business, and the work of the Small Business Administration. Turning to need for business to be aware of world events, he points out U.S.S.R. intends to penetrate and take over free world markets. Expresses skepticism about their ability to do so and, also, their recent offer to buy billions of dollars worth of American goods. Asks whether Kremlin planners plan to buy latest products of private initiative and then use this transplanted industry—with slave-wage labor—to undersell us in the world markets.

To a very large degree, the American free enterprise economy is vigorous and strong because it offers a favorable situation for small businesses to be started and to grow. Small business is growing—not disappearing. There are more small businesses in existence today than at any time in the past.


Wendell B. Barnes

Most of the four million and more firms in this country are small—and we in the Small Business Administration are working constantly to strengthen further this important sector of our economy.

While there is some economic curtailment, particularly in the small manufacturing businesses which are closely related to the automotive industry, it is gratifying to observe that most of the small businesses in the country, mainly outside of the metropolitan areas, are, in fact, flourishing and prospering at present, and for a curious reason.

Usually, we think of small businesses and their relation to big business as suppliers and dealers, and frequently observe the interdependence between large and small business. However, except in the metropolitan areas, most of the small businesses across the country — the retailers, wholesalers, produce handlers, implement dealers and small banks—are closely related to the agricultural economy. The farmers are their customers. They provide the markets and distribute the products of the farmers.

These small businesses have their closest ties and a unity of interest with the agricultural community. When the farmers are prosperous, the earnings of these small businesses improve. Recently, farm prices have been improving, and farmers in many areas of the country have had increased earnings. The money the farmers are spending has brought increased prosperity to the small businesses which serve them.

There are great areas in the country, particularly in the Middle West, in which the only thing they know about the recession is what they read in the papers, since they are enjoying increased business from the farmers. Thus, many small businesses owe a debt of gratitude to Secretary of Agriculture Benson's perception and sturdiness of character.

If the 15 million farmers and agricultural workers, and the 30 million owners and employees of small businesses recognize their interdependence and unity of interest, they have the combined strength to protect and promote their mutual welfare.

I am especially happy to participate in this meeting, because I know of no better way to perpetuate our Republic than to emphasize the virtues of our free, competitive enterprise system. We constantly hear a lot of talk about alien ideologies, about moving to the left or the right, or getting by through the so-called middle course.

Thank goodness, under the American system there is no leftist or rightist or fence-walking-middle-grounder — simply the straight path founded upon the Golden Rule. We have the most liberal system of government, and therefore business enterprise system, ever devised by man. If our system were not liberal, how could the unequaled economic growth of this nation be explained? The opportunity for liberal, progressive ideas is unlimited in our system where the rights of the individual are paramount.

It is no disgrace to aspire to wealth. Here the opportunities are unlimited as long as one acquires his wealth honestly and with a decent regard for fairness toward his fellow-man. That is the way we want it—freedom unlimited.

Of course, barnacles gather on all good ships—ships of state, as well as the kind that traverse the seas. I would say that you men and women, writers for the business press and business pages of the popular press, perform a great service to our country when you point out malignant growths or situations which require correction of our economic system.

There are, as you know, many areas in which correction is constantly underway, but for general, over-all effect, I would say there is urgent need for action by the Congress before it adjourns this summer, to benefit small business in two major areas: taxes and labor-management relations. I am glad to note that the Congress is making some progress in both areas.

SBA Programs

And now, a word about the programs of the Small Business Administration. The Agency was established to help small business firms in all sections of the country to help themselves. This Agency has no regulatory authority—it is a 100% service organization.

We help small firms with their financing problems, help them sell their products and services to the Government, and offer new information on technical and managerial problems that are common to most small firms.

In the four and a half years that our financial assistance program has been in operation, we have approved about half a billion dollars in credit to more than 17,000 firms and individuals. These are loans at business rates, and they have to be repaid. We do not compete with private lenders. Banks have participated in two-thirds of our loans. In reality, we help many of the smaller banks to serve their customers.

In our cooperative program with the Department of Defense and civilian purchasing agencies of Government, we have had reserved for exclusive competitive award to small firms, approximately $2.7 billion in Government prime contracts. There is no subsidy in price, however.

Many thousands of small firms have also been assisted by us in obtaining subcontracts from larger companies. Additional thousands have been given assistance in the solution of management and technical production problems. This briefly summarizes our activities.

Today, all of us are caught up in a revolutionary period of the world's history. Change—abrupt change—is the order of the day, and it showns no signs of abating.

World Events and Business

The businessman of today is called upon for greater understanding than has ever been required of him before. His understanding of the forces that affect our time must transcend his community, his State, and even his Nation.

What is required of the businessman of today is nothing less than a comprehensive understanding of world events. For most American businessmen, this is a new concept, a new rule.

The businessman of even a few years ago could successfully ignore much of the world outside his immediate area. All that was required of him was, one might say, one-dimensional vision. The little world of his own enterprise was all that mattered.

That is no longer so. The businessman of today must have a much wider vision; the scope of his interests is getting wider every day.

I do not mean to imply that the businessman of today can afford to be less concerned with the welfare of his business than his counterpart of a generation ago. No, that is not so. If anything, the businessman of today must know a great deal more about his own business, about accounting, inventory control, promotion, advertising, customer relations — a host of subjects that did not much concern his grandfather at all.

Whether he likes it or not, the businessman of today must also be concerned with events beyond the shores of this country. For, in many cases, the merchandise he produces must compete with merchandise manufactured abroad. More and more, in the years ahead, businessmen in this country are going to look for markets abroad for their products.

In the years ahead, among the nations of the Free World, there is almost certain to be a period of expanding world trade. The businessman of today must have some understanding of world economics, at least to the extent of realizing that trade is a two-way street. If this Nation is going to sell its products abroad, it must provide markets for the products exported by other nations.

It is in economic areas such as this that you business and financial news reporters can be of inestimable value to the businessman. You not only report news, but also help interpret the news, point the way, help the businessman to understand the significance of what is happening in the world of business and finance.

Indeed, businessmen, Government officials, and people generally are now looking to you writers on finance and business to interpret the far-reaching events now occurring around the world. As you know, in the wake of these political unheavals is an effect upon business; perhaps upon American investments and markets.

Of course, the over-riding, big, day-to-day news story is the effort of the free world to understand and meet the moves of the rulers of Soviet Russia. We speak of the cold war. In all of its ramifications and forms, the effort of the Russian economic planners to penetrate and take over free world markets presents a problem for our free people. The business community looks to you for the facts and their correct interpretation.

Khrushchev's Recent Boast

We all recall Mr. Khrushchev's recent boast, somewhat angrily, to the West: "Whether you like it or not, history is on our side. We will bury you."

Well, history is not on his side, because the United States of America is living proof of the invincibility of freedom over dictatorship. As for burying us, he has another guess coming. Isn't it apparent that this means they intend economic competition with us for world trade, in view of their activity in many areas of the free world?

What are the implications of his recent offer to buy billions of dollars' worth of goods in the United States, and suggesting that we advance long-term credit to Russia to finance the purchases?

As reporters and interpreters of economic news, you must be wondering whether or not something in the nature of the Trojan Horse is in our midst. Everybody who reads the newspapers and business press knows that Russia is moving economically into the

*An address by Mr. Barnes at the Loeb Awards Presentation Luncheon, New York City, June 10, 1958.

free world markets. But what does this mean to us? Here, your leadership as writers and interpreters will be helpful. Businessmen and women look to you. Is Mr. Krushchev trying to make the United States look puny and weak before the world by tossing this tempting bait to us in the form of an order for machinery during a period when some industries are hungry for orders?

Or, are the Kremlin planners planning to buy the latest products of private initiative—of the free enterprise system—and then use this transplanted industry to undersell us in the world markets? Russia can do this, you know, because her factory workers are forced to work for whatever compensation or reward the Kremlin determines. What tests are needed to judge whether this is a sincere offer of friendly trade relations or something else?

The suggestion also has been made that the United States grant credit to Russia with which to buy goods in this country. How involved can things become? The Russian rulers have failed to keep their agreements in countless ways; they stir up trouble in the free world, and now, behold, it is suggested that we send them products of our factories and give them time to pay for it. In brief, to trust them. Are we moving toward durable peace with honor, and do not know it? Or, are we being lured into a trap?

Returning to our own shores and our own domestic affairs, one might ask how long improvements in technology can match the demands of annual wage increases which accompany industry-wide bargaining? Increased wage costs in the big industries are largely passed on to consumers. However, annual increases in wages have been taking up much of the savings from improvements in technology, production methods and materials. How much longer can this race continue? Will increased labor costs at home eliminate us from international trade, handicap us in the economic competition with Soviet Russia, and perhaps force us into an isolationist position? Or should increased productivity be a necessary concommitant to increased wages? Instead of thinking of labor in terms of "manpower," should we begin to think of "man talent"?

Our System Will Grow

The business community will rely on you as the informed members of the business and financial press for enlightenment on these and other important questions affecting the future of all of us.

I raise these questions, not with discouragement. I do not have the slightest doubt that our free enterprise system, a system based upon opportunity for the individual, will continue to grow and grow and grow. But, it is not going to be easy.

American businessmen who are trying to serve free people in other free countries have their work cut out for them. As I see it, our main problem is to maintain our higher wages and higher standard of living while competing for markets against countries with lower wages and lower standards of living.

Yes, I know that production per worker and other factors enter into it, but it is generally accepted that Russia recently forced a cut in aluminum prices by offering aluminum to European buyers below American prices.

Let us not become gloomy over Russian competition. American businessmen are not afraid of competition. They thrive on it. This country has met all kinds of competition in war as well as in peace, and our people since colonial times have survived and gone forward.

As President Eisenhower has said, "In the long view, the question is not one of surmounting our problems—but one of rising to our opportunities."

This is true because of our advancing productivity, our increasing population, the vast areas of scientific advancement that are opening up opportunities at every hand; the demand for new schools, hospitals, and the increasing pressure exerted by virtually all of our people for a greater share of all the things that are the measure of their standard of living.

Of course, many, many problems arise in meeting the needs of our changing times. However, they are really challenges, a part of our free, competitive society. When they are solved, comes the satisfaction of personal accomplishment.

Well-informed writers on business and finance all recognize this, and contribute toward the growth and happiness of all of our people through your constructive comments and factual dissemination of knowledge.

America never was, and, I trust, never will be for the timorous, for those who are fearful of the future.

Let us go forward then, with courage to meet our competition, and usher in a new upward surge in our economy that will dwarf anything we have yet known.

Yates, Heitner Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Theodore R. Ingram is now with Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges.

Three Join Staff of Van Alstyne, Noel

Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, announced that the following individuals have become associated with their firm: A. J. Cortese, as manager of the Research Department; Philip Byrne, with the Institutional Department, and Macey Kronsberg, as a registered representative.

Mr. Cortese was formerly a partner in Cortese, Kupsenel & Co.

With Eastman Dillon

(Special to The Financial Chronicle)

SOUTHERN PINES, N. C. — James B. Greene is now with Eastman Dillon, Union Securities & Co., 105 East Pennsylvania Ave.

With Fulton, Reid

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Paul A. Lindsay is with Fulton Reid & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Joins Commonwealth Secs.

(Special to The Financial Chronicle)

COLUMBUS, Ohio — Theodore J. Tobbe has been added to the staff of Commonwealth Securities Corp., 150 East Broad Street.

Dividends and Politics

By PAUL EINZIG

Complications and considerations beyond the normal turn of events, affecting stock dividend policies of British boards of directors are uncovered by Dr. Einzig. It is not only not knowing whether U. S. A. recession will affect the still relatively untouched British economy, the economist points out, but there is also the problem of whether a liberal dividend policy will encourage nationalization by a future Labor Government looking for profitable industries to offset money-losing nationalized ones and, further, whether many voters would be envious enough to vote for Labor if they see non-stop rise in dividends and appreciation of the equity holdings of a fortunate minority.

LONDON, Eng.— Dividend decisions are exceptionally difficult in Britain just now. From the point of view of business prospects, there is no means of knowing which way the cat will jump. So far Britain has stood up well to the recession, but the repercussions of the fall in raw material prices are yet to come, and there are anticipations of a further decline in capital expenditure. On the other hand, recent wage decisions foreshadow a resumption of inflation, which in any case may be regarded as a political necessity during the year just before the next general election. So on this ground alone, boards of directors are confronted with a dilemma.

Paul Einzig

It is tempting to take advantage of the reduction of the tax on distributed profits from 30% to 10%. But can the firm afford to raise its dividend to a level at which it might easily become untenable next year? Boards of directors are used, however, to such dilemmas. Why the present situation is unusual is because of the likelihood of a Labour victory at the next general election.

The probability of a Labour Government not later than in 1960 has to be envisaged. And it seems certain that the next Labour Government will be even more Socialistic than the last one. This is largely the fault of the Conservative Governments that have held office since 1951. Had they not pursued semi-Socialistic policies it would be possible for a future Labour Government to resume where, more or less, the previous Labour Government left off in 1951. As it is, competition for the favors of the working classes by the Conservatives will compel the Socialists to outbid them by more equalitarian taxation and more nationalizations.

Right Dividend Policy

Directors of leading industrial firms have to face the possibility that their industry will be on the short list of those singled out for nationalization after 1960. The question is, what is the right dividend policy to pursue? Nationalization may take place either through the compulsory takeover of equities at prices to be determined by legislation or through the purchase of equities in the open market. Even if the take-over prices are fixed artificially, they have to bear some relation to Stock Exchange values.

This means that it is to the interest of the present holders of equities that the Stock Exchange prices of their holdings should be as high as possible when the Labour Party assumes office. But while open market purchases have to be based on current quotations, compulsory acquisition is likely to be based on the average prices quoted during the last few years.

If an industry is expected to be nationalized outright then it is to the interests of equity holders that their equities should appreciate long before the change of regime, in order to improve the average price on which compensation for their holdings would be based. To that end it would be important to raise the dividend immediately. On the other hand, if it is more likely that the Labour Government would resort to "backdoor nationalization" by buying a controlling interest in the open market, then it might appear to be a waste of ammunition to raise the dividend too soon. It might then appear to be expedient to raise the dividend considerably at the very last moment.

Moreover, at the present moment the boards of many industrial firms may not be in a very good position to raise their dividends, owing to the decline in profit margins. Wages are still rising, and there is growing consumer resistance to rising prices. Export prospects are none too promising. This may not appear, therefore, to be the right moment for dividend increases, even by firms which have adequate reserves for being able to pay higher dividends in spite of lower profits.

Might Make Voters Envious

From a political point of view it would be indeed a blessing in disguise if we witnessed a number of dividend cuts between now and the general election. For at least 90% of the British electorate does not possess any equities. Human nature being what it is, a large proportion of them are inclined to turn green with envy or yellow with spite at the thought of the nonstop rise of dividends and in virtually nonstop appreciation of the equity holdings of the fortunate minority. This is liable to influence their attitude towards the Labour Party which promises them a share in the benefit of industrial prosperity by means of taking the equities in national ownership.

So long as the overwhelming majority of firms continues to pay out bigger and bigger dividends, and so long as the Stock Exchange quotations continue to rise—temporary setbacks apart—the political party which proposes to share out these benefits among the electorate by nationalizing equities is likely to be at an advantage against the political party which proposes to ensure the present holders to retain the advantages. This is by no means the only consideration that is liable to influence the electorate, but it is a very important consideration.

It is, of course, difficult to imagine many firms which would be willing to sacrifice their dividends for the sake of bringing home to the masses that there is a risk involved in the holding of equities. But if firms are forced by adverse circumstances to cut their dividends, they may derive some slight comfort from the fact that their involuntary action is calculated to reduce the temptation to embark on wholesale nationalizations. Besides, the view that the State must take over inefficient industries—such as the coal industry and the railways — is no longer held by Socialists. They have quite enough nationalized industries which are running at a loss. What they want now is a few industries whose profits would offset the losses of others. So it seems probable that they will go for the most prosperous industries when they begin once more to nationalize. From this point of view, too, a few indifferent years before the advent of the Labour Government may reduce the likelihood of the firms concerned being nationalized. However, very few directors or equity holders are likely to hope or pray for a few indifferent years on account of this consideration.

Alan K. Browne Receives Award

Alan K. Browne, Vice-President of Bank of America and President of the San Francisco Chamber of Commerce, was chosen Investment Banker of the Year by the San Francisco Bond Club.

Mr. Browne was presented the Arnold Grunigen, Jr. Perpetual Trophy at a regular meeting of the Bond Club at the Hotel St. Francis. The award was made by Wendell W. Witter, partner of Dean Witter & Co. and Chairman of the Awards Committee.

Mr. Browne, who is manager of Bank of America's municipal bond department, was cited for his professional service as manager of large investment syndicates which underwrite state and municipal bond issues. He also was praised for his civic contributions as head of the San Francisco Chamber and as member of the advisory board on financing of the San Francisco Bay Area Rapid Transit District; President and Director of San Francisco Stadium; member of the Executive Committee of the San Francisco Bay Area Council, and Trustee of Franklin Hospital.

The trophy, awarded annually to a Bond Club member, is a memorial to the late Arnold Grunigen, Jr., of J. Barth & Co., one of the founders of the club. It has been awarded in previous years to George W. Davis, senior partner of Davis, Skaggs & Co. and to Charles R. Blyth, President of Blyth & Co., Inc.

The meeting concluded with the installation of officers for the 1958-1959 year. The new President is Harvey J. Franklin, manager of the municipal bond department, Merrill Lynch, Pierce, Fenner & Smith. He succeeds Vernon J. Kimball, partner of J. Barth & Co.

Gerald F. Brush, Vice-President of Brush, Slocumb & Co., Inc., is the new Vice-President, succeeding Mr. Franklin. Lawrence H. Prager, Assistant Vice-President of Bank of America, was installed as Secretary-Treasurer. He succeeds James A. Sanford of Blyth & Co., Inc.

The Board of Governors for the 1958-1959 year is composed of the three new officers, the outgoing President, Mr. Kimball, Brantley M. Eubanks, partner of Stewart, Eubanks, Meyerson & Co., Robert M. Bacon, E. F. Hutton & Co., Andrew E. Steen, Assistant Vice-President, American Trust Co., and Emmet K. Whitaker, partner of Davis, Skaggs & Co.

Now With Laidlaw

(Special to The Financial Chronicle)

BOSTON, Mass. — Philip F. Mackey, Jr. is now with Laidlaw & Co., 80 Federal Street.

Joins Long & Meany

(Special to The Financial Chronicle)

PALM BEACH, Fla. — Gordon M. Copp is now associated with Long & Meaney of New York.

With Russell Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Harry L. R. Couch is now with Russell Investment Company, Boston Building.

With Jensen & Stromer

(Special to The Financial Chronicle)

MARYSVILLE, Calif. — Eugene Stanphill is with Jensen & Stromer, 426 East Fifth Street.

Two With Hutton

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—James B. Hubbard and William W. Bantrup have become affiliated with E. F. Hutton & Co., 111 West Tenth Street. Mr. Hubbard was formerly with Harris, Upham & Co.

Joins Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Harry S. Backer has joined the staff of Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges.

James Fallon Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Charles H. Evans has been added to the staff of James L. Fallon Co., 7805 Sunset Boulevard. Mr. Evans was formerly with California Investors.

The Countdown to Oblivion

By ROBERT R. GROS*
Vice-President, Pacific Gas and Electric Company
San Francisco, Calif.

"We can't afford to waste any more time in halting the countdown to our own oblivion," California utility executive declares in dismissing the fight waged until now against public power encroachment and public's indifference as nothing but endless pontificating talk, talk, talk within the industry, paved with good intentions but marked by obvious failure to talk *to* and *with* the people in simple, clear language. Mr. Gros doubts if tax angle copy has ever impressed a single consumer not otherwise influenced; praises E.C.A.P., and "Reddy Kilowatt" as the only successful effort to date; advises we take a lesson from Billy Graham and reach the non-believers, and give the right public relations man authority equal to his responsibility. Blames utilities for ineffectiveness of P. R. program and points out P. R. problems may be just as tough as engineering, production and sales.

Allow me this immediate assertion: So long as we just sit and talk about Old Man Devil, we are wasting our time! Where would the soul of Jabez Stone be today if Daniel Webster had devoted all his energies to discussing the Devil with his own friends? Jabez Stone's soul would be burning right square in Hell, that's where it would be! And that's right square where heart and soul of our electric utility business is going to be if we don't get our $200 suit-bottoms off our $300 swivel-chairs and go out and battle the Devil on the playing field of purgatory.

Robert R. Gros

We in this industry are intimately acquainted with our Devil. We know him by a pseudonym: Socialism.

All We Ever Do Is Talk, Talk, Talk

Yes, indeed we know his name. At our advancing ages Socialism has all but replaced sex as topic "A." And just like sex, all we ever do in our twilight of youth is talk. Talk, talk to ourselves.

Well, welcome to the class reunion. Here we are again.

This is the world series after half a hundred intra-company meetings every one of us has attended this year in our own leagues. On such occasions we are pathologically introspective. We usually note with alarm and view with distress. We admonish each other, "be aware of this and beware of that." We expose the sinners and deplore the Devil's hold on them. We castigate Old Devil Socialism in the plainest possible terms, watch every man in the room nod in solemn agreement; and then rush off to lunch, closing the issue with a smug observation, "I think we really started something against the Devil's public-power-playboys this morning."

I've done it a thousand times. And so has every last one of you!

But let's look at the record. Since the war, our victories have been mighty few and far between in those battles where we were trying to take customers away from so-called "public power." Except for the real good one that Fighting Kinsey Robinson racked up out in Stevens County, Washington, a couple of years ago, we haven't put a real big inning up on the scoreboard in 15 years. And for every Hell's Canyon there have been at least two reverses on the other fronts.

Who Sees Evil in Public Power Today?

The record shows nothing to indicate that the great mass of the electric power consuming public in the United States recognizes anything evil about public power. In the generation now reaching adult-hood — even among those reared in the most conservative communities—there is no substantial thought that government ownership of utilities is inconsistent with the American system of incentive capitalism.

Do you doubt me? Please go out and interview a hundred college graduates of 1958; then decide whether I overstate the problem. Talk with the next 100 lawyers who pass the bar in your state; then assess the position of our industry. Chat with the next 100 clergymen ordained in your service territories, and see how well our detractors have done their work. Next, check with the teachers in your city. Yes, and the small businessmen and the farmers—and don't overlook the housewives.

In a recent Opinion Research survey, business ran a poor third on the question: "Who contributes most toward improved living standards — business, government or union leaders?" Among senior high school students surveyed at Purdue last year, most said that corporate business is bad for the country; half thought that "taking from the rich and giving to the poor" would eliminate economic problems.

Plainly, far, far too few are heeding—or perhaps even hearing—a word we say on the perils of Socialism. We've been talking to ourselves too much. And today, nearly one in four among America's kilowatts is generated by Government. Are any of us so naive as to think that this fact has frightened or worried anybody outside our own industry? It should have, but it hasn't.

And while the percentage of public power capacity rises and ours diminishes, we are successfully branded in the public mind as the recipients of a gigantic "giveaway" of power resources. The facts prove it is our adversaries who are the recipients if there is any giveaway; but the public believes it the other way.

I wish my conscience did not force me to think such thoughts and say such things. But say them I must because I earnestly believe that they barometer facts we dare not ignore through wishful thinking. Nor am I presumptuously finger-pointing, without also indicting myself. But I urge you—and intend myself—to strive always "to see ourselves as others see us"—and then to do a whale of a lot more about it.

Sees the End in Two or More Generations

Let me put my conviction as bluntly as I can. If we don't do something about this situation of public opinion *now*, our industry as we know it today cannot survive more than two more generations—three at the most. If we do not respond with hard-headed acceptance of reality, then the heretics, the economic meddlers and the Socialists will take our children's birthright away. Indeed, our children will help them. Ah, yes, the venom of Socialism is subtle and insidious—yet it can be fatal.

These years could become the years of our countdown. They could be the declining cycle of digits along an oak-paneled, deep-carpeted, genteel COUNTDOWN TO OBLIVION.

And let's not delude ourselves that we presently stand at ten—at the top of the countdown. The fearful statistic—that a fourth of America's power is Government generated—means that the echo of eight is dying in the distance behind us and that seven is half risen in the throats of our destiny. Let's make sure that by the time EEI convenes in 1959, our enemy shall not have rolled a "natural" seven.

Only two more counts tip the balance of power. *Then we should be the minority!*

Can we stop it? I used to be confident we could. Now I know that only the firmest, strongest, most hard-headed and realistic effort can turn the tide of public opinion in our favor. We *can* do it, but not with the caliber of results we are achieving through our efforts today. That must be obvious to us all.

First, Quit Pontificating

The first thing we've got to do is quit pontificating. We must stop blindly depending upon "Spirit of the Public Service" and "Tradition of Loyalty" slogans that clutter up our public relations efforts. We ought to recognize that the employee and management attitudes that go with them form a kind of Maginot policy-line utterly without value as an offensive weapon. Why use intangibles that float around the upper stratosphere when we have provable, earthly, "What's in it for me?" facts to offer?

We must recognize this unhappy truth: To the average customer there is not a bit of difference between public and private power service. When he flips the switch, he expects the lights to come on. And they do! That's service enough for 90% of people—and that's more than enough votes to win any election.

In place of lofty pontificating let us go completely earthly. Let's talk *to* and *with* people instead of just *at* them.

It's past time for us to quit writing speeches and advertisements that nobody but we and our boards of directors can understand. It has been proved that our ads on such subjects as TVA are so garbled by intra-industry jargon that many people who read them believe they are promoting public power.

"Yes," you say, "but these matters just can't be explained simply." Well, I agree our story is complicated, but if we don't figure out how to make it simple for Joe Switchflipper we're doomed. Unless we make it as simple, understandable and attractive as a Maidenform Bra ad, we may just as well not bother to run the ads at all.

An advertising man told me recently of an electric company president who insisted on a 36-word copy message on a 24-sheet billboard, located along a high-speed freeway. When the account man recovered his voice he explained that no motorist possibly could read it to the end and live to remember it.

"I know," said the executive, "but we'll just *feel* better if the case is stated fully." I am sure he feels wonderful, but he impressed precisely nobody.

Praise Reddy Kilowatt and ECAP

Our advertising job is not hopeless, though. Here's an example on the plus side—Reddy Kilowatt. That ubiquitous, often amusing and always clearly understandable symbol of our industry is usually remembered when our corporate-toned prose is forgotten. We heard a shocker in Pittsburgh at the Public Utilities Advertising Convention last month where a panel of college students declared that none of them had been attracted to any of our so-called institutional advertising. Indeed the only utility advertising they remembered at all was Reddy Kilowatt, who was pegged thoroughly in their memories as a warm, appropriate symbol of our industry. I am told that parallel remarks were made at a similar panel in Ohio the month before.

Let's take a moment's look at *ECAP*. For another reason we must tell our story more directly and in earthier terms. Those able and dedicated advertising men, Ed Dunning and Dwight Van Meter, studied the breakdown of the public opinion surveys regarding business ownership of utilities. To the amazement of most of us, they discovered that women, bless 'em, are far less inclined toward private ownership than men. And why haven't we

Continued on page 39

*An address by Mr. Gros before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 11, 1958.

Competitive Atomic Power— Today's Challenge, Opportunity

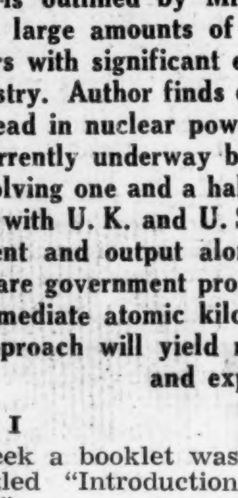
By ELMER L. LINDSETH*
President, The Cleveland Electric Illuminating Company
Cleveland, Ohio

Challenges and opportunities encompassed in the inexorable approach of competitive nuclear power, according to Cleveland utility head, cannot be gainsayed or ignored. Nor, for that matter, can the five inherent major impact-problems confronting the utility industry. What industry can do—now, today and tomorrow—is outlined by Mr. Lindseth who is firmly convinced that large amounts of nuclear power will be here in twenty years with significant effects upon American electrical power industry. Author finds our investor-owned electric utilities are ahead in nuclear power program in the world; notes projects currently underway by our industry add up to $520 million involving one and a half kilowatts; and points out that differences with U. K. and U. S. S. R. should not be measured in investment and output alone but should include the fact that theirs are government programs and are quantity oriented to meet immediate atomic kilowatt needs. States our quality oriented approach will yield more in information, know-how and experience.

I

The other week a booklet was published entitled "Introduction To Outer Space."

Twenty years ago, a booklet with that title would have borne the imprint of a science fiction publishing house. But this one showed as its publisher "The White House, Washington, D. C." It carried an introduction by the President of the United States.



Elmer Lindseth

Today there are satellites on the edge of space; submarines powered and homes lighted by nuclear fission; computers solving problems for business and industry; radar in daily commercial use; and people watching television in Bangkok, Murmansk, and Reykjavik.

Not one of these phenomena was happening 20 years ago. Yet, startling as those changes are, they are a mere foretaste of what will almost certainly happen during the next 20 years. For the rate of change is continuing — possibly even accelerating.

In this onrushing current of events, two overriding realities stand out; the split world and the split atom. All of us in this room are especially affected by these two realities.

The split world affects us because the very nature of our business makes us more than usually concerned as citizens with the political, ideological, and international problems of the day.

The split atom affects us not only because of its basic technological importance to our industry, but because it is one of the root causes of some of those international problems. The atom, even in its peaceful uses, has become an instrument of world rivalry, a peg on which to hang national prestige.

There are some in this country who have looked at Russia's recent scientific achievements—admittedly impressive — and have concluded that our country has dropped into second place as a technological nation. America's atomic energy program, in particular has been singled out for special criticism.

Let's take a few minutes to look at the record and see how justified this criticism really is.

II

One in a position to know who considers it totally unjustified is Dr. Willard F. Libby, scientific member of the Atomic Energy Commission. "America," he stated recently, "holds an absolutely commanding position in the world-wide field of nuclear development.

That view was reinforced in a report from the so-called "Three Wise Men" of Euratom, the nuclear federation of six European countries. These European experts, after a world-wide study of atomic developments, stated: "An impressive amount of research and development done both through the AEC and private industry has provided America with the most complete nuclear foundation in the world."

As of the end of 1957, the total number of American nuclear reactors was 237. That figure includes reactors for all purposes—electric power, propulsion, testing, research, production and training; reactors either completed, under construction, or in the planning stage.

Eighty-eight of those—again as at year-end 1957—were power reactors, either for propulsion or for electrical generation. Admiral Lewis L. Strauss, Chairman of the AEC, has said, "This total of 88 power reactors represents a program which, to our knowledge, is not approached by any other country, either in performance or planning."

Where Do We Stand in Nuclear Electric Power?

In nuclear development for naval propulsion, America's preeminent position is universally conceded. However, the kind of power reactor that more directly concerns us—and the kind that seems to stand for atomic prestige in the minds of many—is the one designed to produce electricity in a civilian power plant. How does America stand in civilian power?

Our industry's progress with atomic power dates from 1954, when the Congress passed the Atomic Energy Act which first allowed us to build and own facilities for civilian development of nuclear power. The Act stated, you will remember, that, "It is . . . declared to be the policy of the United States that . . . the development, use, and control of atomic energy shall be directed so as to promote world peace, improve the general welfare, increase the standard of living, and strengthen free competition in private enterprise."

That was less than four years ago. Since that date the industry has launched a comprehensive program embracing research, development, and construction of both prototype and large-scale plants, covering a wide range of reactor types. In this program, we have had the invaluable cooperation and participation of equipment manufacturers, other American industries, the Congress, and the Atomic Energy Commission.

III

Fifteen projects producing civilian nuclear power have been announced. These embrace seven different types of reactors. In 12 of the 15 projects, involving six of the seven reactor types, the reactors are owned by the utilities concerned.

Three of these projects are in operation today producing power being utilized on investor-owned systems. The reactors in two of these three plants are owned by the AEC; the third, by General Electric Company.

Another six are under construction or are contracted for, while the remaining six are in the planning or development stages.

In addition, there are 12 more research, development, and study projects under way, some of which will no doubt lead to the construction of additional plants. That brings the total to 27 nuclear projects, in which 123 utility companies are participating.

Compares Our Progress With That in U. K. and U. S. S. R.

I won't list those projects here. They are detailed in an accompanying table for all who are interested. They certainly show that America's investor-owned electric utilities are embarked on a nuclear power program without counterpart anywhere in the world.

By the end of this year, the industry will have spent about $140 million on this program. Next year the investment will be increased by another $100 million. All told, projects currently under way add up to more than $520 million, and look toward nuclear generating capacity of one and a half million kilowatts.

These are impressive figures. However, I want to stress that the real value of this country's nuclear power program cannot be measured in dollars or in kilowatts. Other countries — Britain and Russia, for example—can also point to substantial investment and electrical output. But their programs are different in nature from ours. For one thing, they are entirely government programs. For another, and more significant perhaps, they are quantity-oriented. That is, they are aimed at producing power in large amounts by whatever atomic method has proven feasible today, no matter whether that method offers ultimate promise for the future or not.

We in America don't need atomic kilowatts right now. We can produce all the power we can use more cheaply with conventional fuels, which we have, and which most other countries do not have.

Thus our program can be quality-oriented, rather than quantity-oriented. And so, by concentrating on research and development of a variety of reactor types, we have built up a broad-based, diversified nuclear power program—one that will yield richer dividends of information, know-how, and experience than will a program dedicated to kilowatts alone.

IV

So much for the record. What about the future?

Our immediate goal, of course, must be to make nuclear power economically competitive. It has already been established as practical and safe. The next step is to take it out of the laboratory and put it in the marketplace.

An excellent picture of our atomic energy research and development program is provided in the report: "Status and Prospects of Nuclear Power," published in February by the Technical Appraisal Task Force on Nuclear Power of the EEI. To those of you who have not read it, I would like to say it is a fine review of our industry's nuclear power program, coupled with an appraisal of future needs, and with emphasis on the problem of competitive costs. For this report the industry owes a debt of gratitude to the members of the Task Force, and especially to its non-industry members and to its Chairman, James F. Fairman.

The report sums up the picture this way, and I quote: "The Task Force believes that it is not possible to identify the type of reactor which is most likely to be successful. The Task Force recommends further research and development along a variety of lines and construction of additional reactors ranging in size from experimental units to full-scale power producers as warranted by advances in the art."

Expert Predictions

There in a nutshell is our immediate task. We must not only continue, but expand, our research and development activities over a broad front in order to achieve our goal of competitive nuclear power in reasonable time. Moreover, we must face the fact that bringing the cost of nuclear power down to a competitive level will demand very substantial expenditures of manpower, effort, and money from the industry, and a good deal of assistance, financial and otherwise, from the government.

The Atomic Industrial Forum in January of this year foresaw six million kilowatts of nuclear power capacity in the U. S. in 1968—10 years hence—providing economically competitive nuclear power is achieved by 1964.

The McKinney Panel in January, 1956, predicted nuclear capacity of from five to nine million kilowatts in 1970. By 1975, if predictions of total output are reached, the proportion of that output generated in nuclear plants, they said, may be somewhere between 5 and 15%.

On April 1 of this year Philip Sporn predicted that by 1975, 5% of our total installed capacity may well be atomic. And since nuclear plants can be expected to have a high load factor, that 5% may be supplying as much as 7½% of the kilowatthours generated.

Predictions as to the time of reaching specific amounts of nuclear kilowatthour output are of necessity uncertain. But one important fact can be predicted without hedging or reservation: nuclear power is going to come, and in large amounts. Twenty years from now, it will definitely be here. And it will have significant effects on the American electric power industry. Of this you may be sure. For never before in the history of our industry has a technological development portended such far-reaching economic, social, and political impacts.

How completely are we prepared to meet the impacts that fully competitive nuclear power will bring? By "fully" competitive I mean nuclear power competitive with fossil fuels in all parts of the country, including today's lowest fuel cost areas.

How comprehensive are our plans—those of us who have spent our working lives in this business and to whom the public may rightfully look for guidance and leadership? How well have we analyzed all the impacts this new development will have on our own companies? On our industry? On the economic and industrial geography of the nation?

Let's examine some of these impacts.

V

Answers Popularly Held Fallacies

First of these impacts is **public reaction.** The concept of atomic power has caught the public imagination, and in so doing it has led to a great deal of confusion. A number of fallacies have gained widespread currency; many people today believe things which just aren't so.

One common fallacy is the belief that nuclear power will some-

*An address by Mr. Lindseth before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 9, 1958.

day be as "free as the air"—be "too cheap to meter." It is amazing how many people fail to realize that even if nuclear plants could be built for nothing, even if nuclear fuels were free, it would still cost money to provide electric service.

Another fallacy is the belief that abundant cheap nuclear power is "just around the corner." We do have nuclear power in America. But why doesn't **everyone** in America have it? What's the holdup? This fallacy, like the previous one, stems from failure to understand the cost story.

There is also the fallacy that the government could do a better job of our nuclear power program. Two lines of reasoning are current here — one international, the other domestic.

Internationally, there is needless concern over our country's prestige. A number of people—among them many long-time public power advocates — argue that only a crash program of large-scale government reactors can maintain our world position.

Unsound though these claims may be, we as an industry cannot merely dismiss them. Nuclear power is more than a technological development; it is a military and political weapon in the cold war. As an industry, we have been thrust, however reluctantly, on the international stage.

On the domestic front, many misguided citizens are paying heed to the socialized power proponents, who see in nuclear power a chance to further the nationalization of this country's power industry.

Public opinion has always been important to us. But it has never been as important as it is today. We need as never before the understanding and support of the public.

The American people must have a complete knowledge of what we are doing, and what we intend to do, and why. And to provide them with that knowledge, we must be prepared to devote more time, more attention, and more money than ever before.

VI
End Fuel-Cost Differentials

A second major impact of fully competitive nuclear power will be the impact on our industry of the ultimate **elimination of fuel-cost differentials** between areas of the country.

As the cost of nuclear power is progressively reduced, it will become competitive first in high fuel-cost areas. Eventually, although it may be a number of years later, it will be competitive everywhere.

This single fact is of course going to cause a major shift in the economic and industrial geography of the United States.

Today, such industries as basic metals, alloys, and electrochemicals favor locations where they can most cheaply obtain the large amounts of power they use. But with fully competitive nuclear power, they will be no longer restricted to the low fuel-cost areas of today. Determining factors in their location will be chiefly markets, raw materials, labor force, and available sites.

Obviously, this is going to provide hitherto unknown opportunities to a lot of power companies in their area development programs. Formerly fuel-poor areas will have new advantages for industrial prospects. Conversely, fuel-rich areas that have hitherto had advantages built on lower generating costs are going to have nation-wide competition.

Two aspects of the situation appear. What are problems for some companies are opportunities for many others. I can't pretend, at the moment, to have answers to these problems or formulas by which to capitalize on new opportunities. But I believe it is none too soon to examine just where those problems and opportunities will lie, and what our solutions may be.

VII
Change Engineering and Economics

A third important impact of competitive nuclear power will be on our own **power system engineering and economics.**

The new order of things will importantly affect the choice of locations for our own power plants too. Such factors as fuel supply, delivery, and atmospheric pollution problems will cease to be the determinants. The controlling factors will be sites, proximity to load, and availability of condensing water.

These nuclear power plants, with no attendant air pollution problems, fuel delivery problems, or coal piles, will have a higher degree of acceptance by the public in large urban areas.

It also seems likely now that generally competitive nuclear power may first be achieved by atomic generating units or plants much larger than our largest current conventional ones, possibly by a factor of two or three or more. To be sure, the trend in size of both units and plants, however fueled, is already constantly upward. But conceivably, supersized nuclear plants may come into being before their capacity can be justified or absorbed on individual power systems.

The answer might well be multi-company power pools or transmission networks, probably at ultra high voltage, say 500 to 600 kv. Certainly 345 kv will be required. These networks will raise associated problems having to do with interchange arrangements, joint ownership of facilities, standby capacity, operating and power dispatching, pooled reserves, transmission rights-of-way, ultra-high-capacity switching and transformation facilities, and so forth. It is high time that we vastly raise our sights in these areas.

VIII
Financing

The fourth major impact on our industry will be in the area of **financing.**

Nuclear plants will require higher investment ratios per unit output than today's fossil-fueled plants. The early ones, because they will be relatively new and untried, may be shorter-lived than today's.

Likelihood of early obsolescence will require more adequate depreciation charges. Research and development will continue to absorb much more money than is the case today with conventional power, and this money must be recovered. Because the ratio of fixed costs to operating costs will be higher, capital structures may be altered.

The problem of economic depreciaton will be intensified. Special depreciation incentives may be required. Greater capital investment will require higher demand charges in our rate structures; more ratchets; minimum

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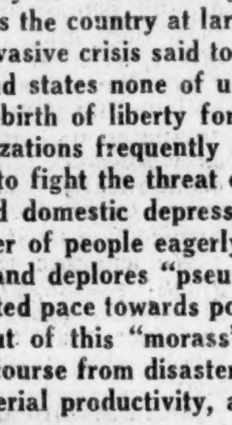
The High Cost of Redemption

By ADMIRAL BEN MOREELL*
Chairman of the Board, Jones & Laughlin Steel Corporation
Pittsburgh, Pa.

Chairman of second Hoover Commission Water Resources and Power Task Force diagnoses serious problems of private utility industry as "advanced symptoms of an endemic disease which afflicts the country at large." The J. & L. Steel Chairman sums up pervasive crisis said to be facing America as the crisis of liberty and states none of us will save his own skin unless there is a rebirth of liberty for all. Admiral Moreell answers two rationalizations frequently advanced to justify big government—i. e., to fight the threat of imperial communism abroad, and to avoid domestic depression; expresses discouragement about number of people eagerly seeking unearned government hand-outs; and deplores "pseudo-charity" by government and our accelerated pace towards police state. Prescribes five steps to get us out of this "morass" which, he says, if done will change our course from disaster to tremendous spiritual growth and material productivity, and world moral leadership.

Power is the lifeblood of our industrial machine, and what happens to power, for good or ill, will affect all industry. The power industry has some problems which most other industries do not have, at least to the same degree. Yours was the first target of the socialists. The earliest socializers in this country were strong advocates of public power. There were others who claimed, in one breath, to stand for free enterprise, but who in the next, advocated government ownership of utilities; and they saw no inconsistency in this. As early as **1906** the Federal Government undertook to generate and sell electric power. since that date, government ownership has grown rapidly so that at present Federal projects, built and building, amount to about 15.2% of the country's total capacity. And by **1960**, if state and local power projects are included, approximately one quarter of all the power produced in this country will issue from generating plants owned and operated by government.



Admiral Ben Moreell

However, the progressive socialization of your industry is not a problem peculiar to it. The entire country has careened toward socialism during the past half century. The Federal Government now engages in several thousand different kinds of business **in competition with its own citizens;** while private business operates in an atmosphere of Congressional criticism, hostile suspicion, controls, punitive taxation and costly intrusions by Federal inspectors. Your problems, serious as they are, are but the advanced symptoms of an endemic disease which afflicts the country at large.

For more than a generation collectivism has been edging over our landscape like a gigantic icecap. Its progress has been uneven, so some of us have been encouraged to think we might escape personal disaster by obtaining a politically privileged sanctuary. But it is now clear that not one of us will save his skin unless there is a rebirth of liberty for all.

Collectivism vs. Liberty

The major social trend of our time is toward increased government control of our daily lives. The pretense is that government will exercise control over business and industry for the good of all. The plan may be to control only the economy; but the economy cannot be politically directed without controlling persons. The economic order represents our livelihood, and whoever controls our livelihood has a powerful instrument to control us. It is not necessary to **own** a man in order to dominate him; **man is mastered by those who control the fruits of his labor.**

There can be no answer to the problems of any one business, or any one industry, or even of all industry until we find the solution to the crisis of our society. And the crisis of our society is the crisis of liberty. This nation was established that men, **voluntarily accepting the discipline of God's rule,** might enjoy the blessings of liberty. But as things now stand, we have been conditioned to curbs and controls to such an extent that we accept regimentation with hardly a protest. It appears that we are losing the will and the courage to resist enslavement.

In this historic City of Boston, the late President Lowell of Harvard University—lawyer, educator, philosopher, and student of history—made this statement: **"No society is ever murdered: it commits suicide."**

In the light of recent world-shaking events — political, social, economic and military — and our panicky reaction to them, we may well ask, "Is our American Society now in the process of committing suicide? Are we losing our heritage of liberty? If so, can we reverse course, and what is the price we must pay to correct past errors?

It is my purpose to show that we are indeed on a suicidal course; that in recent decades we have been yielding to government our individual responsibility to secure "the blessings of liberty for ourselves and our posterity;" that this deterioration, if continued, will lead ultimately to slavery; and, finally, that there **is** a way out—provided we are willing to **pay the price of redemption.** I shall estimate that price and you will see that it is very high, in terms of moral courage, individual reform, and personal sacrifice. It demands that we, too, be willing to pledge "our lives, our fortunes and our sacred honor" to regain and preserve our freedom, as was done once before at a crucial point in our history.

Before we assess our present situation, let us look briefly into the basic concepts upon which our forebears erected this nation. Then we will be in a better position to determine the way out of our present crisis, and what is demanded of us.

Reviews Our Basic Concepts

The Founding Fathers rebelled against the established disorder of petty political tyranny. But the real American revolution began long before our Declaration of Independence. It began as an idea. It was a **religious**—not a **political**—idea. The real American revolution manifested itself in the 18th Century as the **political** application of certain **religious** concepts about the nature of man and his place in the universe which are inherent in the Judeo-Christian tradition.

The basic concept was that **all power** and **all authority** flow from God, the Ruler of the Universe. Since all men are creatures of God, each of us derives his individuality and his freedom directly from God. Thus, each person is sovereign in his relations with all other persons. It follows that no man can arrogate to himself the authority to trespass on the God-given or natural rights of others without violating the moral law, nor can any group invest itself with such authority.

The **political** application of this **religious** concept of natural rights gave birth to the idea of limited government and its corrollary, the inalienable right of every individual to control the fruits of his own labor, that is, his honestly acquired property. This so-called "property right" is, in fact, a "human right." It stems from man's right to life, which carries with it the right to sustain that life on the fruits of his labor.

The "right to life," standing alone, has little meaning; to have its full significance, the right to life must be coupled to economic freedom. I repeat, **it is not necessary to own a man in order to control him; man is controlled by those who control the fruits of his labor, either by direct expropriation, by unwarranted taxation, or by any other means.**

The ideal of a free people composed of sovereign individuals was derived from these concepts. Government, relegated to the status of a service agency, was to be strictly limited in function to the protection and preservation of the rights of individuals. The powers of government, obtained by delegation from the citizens, were provisional. They were to be retained only as long as they were exercised within their carefully prescribed limitations.

Having wrested their independence from England by a bloody war in which they risked all they had, our forebears established a society whose political agency was to be kept within bounds by conforming it to the principles of the Declaration of Independence. A Constitution was drawn up to provide a legal structure for these political ideals and to specify the limited functions assigned to the new government by the people and the States. And, not content with the many restrictive provisions of the Constitution itself, they insisted upon further safeguards in the first 10 amendments, the Bill of Rights, which might better be called a "Bill of Prohibitions" since it is filled with such restrictive phrases as "Congress shall make no **law**" . . . "The right of the people — shall not be violated" . . . "The right of the people shall not be infringed . . .", etc.

A society was established on these shores designed to encourage the individual to develop his God-given talents to the full by providing maximum personal freedom of choice with a collateral personal responsibility for the results of that choice, **the risk of the penalty of the wrong choice being accepted as the price of freedom.** Thus, the individual was to be free to direct his own creative and productive energies, unhampered by restrictive laws, rules and regulations imposed by political masters.

While the emphasis was on the sovereign individual whose rights and liberties it was the duty of government to secure, **it must not be assumed that the profound thinkers who shaped our institutions were advocates of an undisciplined individuality.** They emphasized freedom because they believed that freedom is a requirement of human nature; but they held that this freedom must be exercised within the framework of God's moral code.

The political agency envisioned in the Declaration of Independence and set up by the Constitution was designed to end man's control of men. The goal was a society in which each person would be free to **govern himself,** with political intervention sanctioned only to remove outside interference with this aim. **The disciplines and controls were to come from within a mans' own being** as he sought to live out the demands of his religion.

I am well aware of instances where the idealism in this scheme was distorted in actual practice by human ignorance, error and evil. This was to be expected. People are fallible, and no society is perfect. Not even its shortcomings, however, can detract from the mobility of the experiment in self-government launched here a century and three quarters ago.

By contrast, the French revolutionaries of this period tossed both religion and historical experience overboard. They tried to establish a completely rational and completely new society, one which sought to emphasize the primacy of the rights of man by denying the existence of God. The result was the reign of terror which ended in the dictatorship of Napoleon.

George Washington probably had both America and France in mind when he said in his Farewell Address:

"Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. . . . And let us with caution indulge the supposition that morality can prevail without religion. . . . Reason and experience both forbid us to expect that national morality can prevail in exclusion of religious principle."

Thirty-five years after Washington's address, in 1831, the gifted French scholar, de Tocqueville, after an extended tour of America, observed:

"Whilst the law permits the Americans to do what they please, religion prevents them from conceiving, and forbids them to commit, what is rash or unjust."

The Founding Fathers knew that the natural roots of human liberty were founded in God's moral law, i.e., in religion. Cut off from these roots, liberty standing alone is too fragile a thing to survive very long in our kind of world. They knew that all the "law and prophets" hang on the two great Commandments, **to love God with your whole being and to love your neighbor as yourself;** and that liberty without such love becomes license which leads ultimately to anarchy and then to slavery. "Man ultimately will be governed by God or by tyrants," said Ben Franklin. And Canon Bell, the great Episcopal scholar, summarized the matter when he asked: "If there are not sufficient internal restraints on appetite, must there not be external restraints?"

In short, the design here was to establish a climate in which every person could achieve his greatest development in those positive factors which contribute to a good society—moral courage, integrity, understanding, reasonableness and individuality. These, in turn, would provide a firm base to act as a launching platform for attainment of the higher ends of life — such as scholarship, art, music, charity and **worship.**

Such is the basis of the real American revolution, whose essential purpose is to unfetter the creative and productive energies of men—and whose spirit is still the best hope of all mankind.

Where Are We Today?

Where are we today? How far have we departed from these basic concepts of the nature of man and his relationships to God and to his fellowmen? Do we still look upon government as an

*An address by Admiral Moreell before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 11, 1958.

agency responsive to the people, whose limited function is to protect the God-given rights of individuals, all individuals, from infringements by others, all others? Or have we come to look upon our own creation, government, as the all-knowing, all-powerful deity, the gold-plated calf, at whose altar we must worship if we are to be fed, clothed and housed?

This is a fundamental question, but as soon as we ask it seriously the contrast between our early standards and our present situation becomes glaringly obvious.

An approximate gauge of the degree to which we have departed from those standards is the gigantic growth in size, scope and power of the Federal Government — with the inevitable attendant shrinkage of state sovereignty and personal liberty.

Let us look at some of the latest statistics in this area, compiled by the Second Hoover Commission. In 1910, the Federal Government cost the average American family $38.00 per year; in 1955 it was $1,600, an increase of 4200% in costs while the population was increasing only 81%. During this same period the Federal debt grew from slightly over $1 billion to $275 billion—and the Federal payroll (civilians only) from 384,000 to 2,362,000. At the same time the Federal Budget grew from $639,000,000 to $65 billion, an increase of about 1,000%.

In 1916, the tax collections of the Federal Government amounted to only 23% of the total tax take, state taxes being 12% and local taxes 65%. By 1954 the process of centralization in Washington had progressed so far that the figures were Federal 74%, state 13%, and local 13%.

In addition to the officially declared $275 billon in national debt, the Hoover Commission found that there are $495 billion in contingent and "moral obligations," i.e., actual or implied guarantees by the Federal Government.

The Federal Government owns about one-fourth of the land acreage of Continental United States and now has total real property with an acquisition cost of $42.9 billion, marking a $2.9 billion increase over the previous year. It owns and operates some 3,000 business and commercial facilities, and its functions are carried on by 1,937 major operating units.

Our social disease is political elephantiasis, as is clearly indicated in the following official statement made by the late Rowland Hughes, at that time Director of the Federal Bureau of the Budget. He said:

"The Federal Government is, among other things, the largest electric power producer in the country, the largest insurer, the largest lender, and the largest borrower, the largest landlord and the largest holder of grazing land, the largest holder of timberland and the largest owner of grain, the largest ship owner and the largest truck fleet operator. For a nation which is the Citadel and the World's principal exponent of private enterprise and individual initiative, this is an amazing list."

The increase in the size, scope and power of government raises the issue of personal liberty, for the history of liberty, as Woodrow Wilson reminded us, is the history of the limitations placed on governmental power. As government expands, the liberty of every one of us contracts.

Before going further I'd like to recognize two objections which are often raised at this point, frequently by the same person. He admits that our government is enormously overgrown and that this inevitably curbs the liberty of individuals. But we need an omnipotent government for two reasons, he contends; first to cope with the threat of imperial communism abroad and second, to avoid the danger of a depression at home. To deal adequately with the fallacies in each of these contentions would require a separate speech, if not a book. I have discussed these issues in other writings and can do little more here than indicate a willingness to tackle them.

Answers Two Rationalizations

There is this much truth in the first contention: If we grant that the United States have a divine mandate to police the world — which means unlimited commitments abroad of our resources, our money and our manpower—then it follows that we cannot have limited government at home. In order to implement our present foreign policy Washington must have unlimited power to conscript both property and people. But if our own government exercises this kind of power over us we have installed a kind of domestic totalitarianism right here at home, first cousin to the thing we profess to be fighting.

We should not flatter communism by imitating any of its features. As a citadel of liberty, America is, in Lincoln's phrase, "the last best hope of earth." We are only as strong as we are free. It was our ideal of liberty and justice for all that gave America its high place in the minds and hearts of men all over the world during the Nineteenth Century and until recently. We have largely lost that place, and can regain it only by a reaffirmation of the American ideal. The world-famous French philosopher, Jacques Maritain, in his recent book, "Reflections on America," confirms this point as follows: "What the World expects from America is that she keep alive, in human history, a fraternal recognition of the dignity of man—in other words, the terrestrial hope of men in the Gospel." Such a reaffirmation of the American ideal would be a major victory over communism both at home and abroad. It would also permit the adoption of a sound policy of national defense, because under modern conditions the defense of our country is based on a virile industrial machine operating in a free economy—and an economy is free only to the extent that it is not subject to arbitrary political intrusions. Which brings us to the second objection, that we need a big government to keep business operating in an orderly fashion and in the public interest.

There seems to be a wide-spread belief that as the result of vastly increased knowledge in the fields of economics, finance, science and technology, and through modern developments in managerial skills, the Federal Government can spark booms, prevent depressions and control the business cycle. As one economist has expressed it, "We appear to have developed a childlike conviction that the Great White Father will take care of everything—that he will not only forgive our (economic) sins and mistakes but will absolve us from their consequences."

There is no evidence in history or logic that government, **which after all, is operated by ordinary mortals like you and me, not by gods or supermen,** has either the power, the intelligence or the wherewithal to generate a perpetual boom or prevent depressions. Government can delay or accelerate economic processes by its interventions; but it cannot suspend the operation of economic laws. We may choose to ignore natural law, but the consequences of our ignorance have a way of catching up with us.

Numerous fallacies are endlessly repeated. We are told, for instance, that a bumper crop of babies will insure continued prosperity — in spite of the evidence that mere increases in population do not automatically result in greater economic productivity; in fact, they may have an opposite effect, as in India and China.

We have been conditioned to believe that payments for **not** producing goods and services are just as wholesome and just as sound economically as expenditures made to produce the goods and services we need and want.

We are told that military expenditures stimulate the economy and induce prosperity, in spite of the fact that they are, on the whole, almost 100% non-productive.

And not content with restricting their efforts at "doing good for people" to America, our enthusiastic "Dealers" are now busily engaged in expanding their activities on a global basis — at the expense of the American taxpayer!

And so our digression returns us to the main question; the extent of our defection from the original American system.

Consequences of Defection from Basic Concepts

It cannot be denied that the Federal Government has vastly extended its size and powers. While doing so it has both undermined personal liberty and the political integrity of the 48 states. But that is not all.

The enormous growth of government has imposed a heavy tax burden on every citizen. But not even that excessive taxation is sufficient to pay the mounting

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Better Selling Is a Must

By C. A. TATUM, JR.*
President and General Manager
Dallas Power & Light Company, Dallas, Texas

Mindful of what gas industry competition has achieved and what happens to those who become big and successful, Mr. Tatum urges electric utility companies to go all out in an inspired and sustained selling effort in the industrial-commercial and residential fields. He suggests budgeting more dollars for sales and advertising, increasing sales force and calibre of its personnel, and setting a higher sales goal, to take advantage of tremendous potential demand and no material shortages said to exist. On the national level, too, the Texan utility head prescribes a well-conceived program to back up local effort and tie-in with manufacturers and others, designed to load systems economically and sustain low rates.

The history of the electric industry has been marked by some of the most aggressive, effective salesmanship any industry has seen. On the other hand, our industry could double every 10 years . . . or every nine years . . . or every eight . . . and too many of us might actually still be doing a pretty mediocre job.

C. A. Tatum, Jr.

And—here's the danger—mediocrity eventually catches up with you. Let me tell a brief story which I think illustrates this point.

For years Captain Liddell Hart, the famous British military historian, has been studying the great military campaigns of history, from the time of the Phoenicians down to today.

He was finally struck by a pattern which, he observed, happened again and again.

A military leader would emerge. He would have too few men, or too little equipment, or too little time. So he'd be forced to use his head, to overcome his bigger and stronger adversary.

He would resort to ingenious and imaginative ways to gain his victories.

He would try to divide his enemies and take them on one at a time.

He would avoid knock-down-and-drag-out engagements. And, more often than not, he would win.

Then . . . Liddell Hart found . . . when this general grew big and strong, and had plenty of men and munitions, he gave up using his head . . . forgot his resourcefulness . . . and relied only on his size and strength to accomplish his objectives.

And . . . more often than not . . . he'd lose.

That even happened to Napoleon.

It seems to me we might well take note of what happened to the general. For a long time now, the electric industry has had the wind to its back. We are the "front runners."

Maybe during this time we haven't had to use our heads as much as we once did.

Maybe that has given other industries the opportunities to move up in some areas.

But I can't help thinking back to the selling job done by the electric industry in the past . . . on the many things which have turned into great load builders.

Let's consider just one — automatic laundry equipment.

Selling a Higher Priced Commodity

There was a time when a woman could buy a perfectly good electric washing machine of the early type for around \$50. Then the industry came along with the idea of the completely *automatic* clothes washer as we know it today.

Could it be built for anything near \$50? Of course not. It had to carry a price ticket in the neighborhood of \$250.

Did that stop the electric industry? You know it didn't. The utilities and manufacturers got together and made that automatic washer so desirable that women raised their sights from \$50 to \$250. That was a good sales job.

The success of that campaign paved the way for many of the appliances which are now so important to the American home . . . and to the utilities.

I don't have to remind you who "nursed" electric refrigeration into wide use . . . or who sold electric light bulbs, almost door-to-door, years ago.

Now . . . I am aware how preoccupied we all are . . . and have to be . . . with capacity . . . and construction . . . and taxes . . . and rate of return . . . and the cost of money.

But finding and creating new markets for what we have to sell is one management function—an important one—to which many of us currently cannot point with pride.

How many of us know the detailed sales plans of our companies?

How many of us have examined the philosophy behind the budgets of our sales departments?

Chances are, your sales manager is not doing half the job he knows how to do, or wants to do.

If your company is typical, he's operating within budget and manpower limitations that were too small ten years ago, and certainly inadequate today.

What would happen tomorrow if you called in the head of your sales department and said: "If you had twice as big a budget, what could you do to increase the sales of electricity in our markets?"?

You might be surprised.

The rewards could be startling.

You know, we are in a unique position. Any of us could pick any one of those low-saturation appliances and merely by deciding to do it, could start the planning and programming that would double or even triple the sale and use of that appliance in our territories.

Just by deciding to do it!

We have that sales potential in our hands.

But, in order to carry out that decision, someone will have to do some very specific sales planning.

This year about 16 million kilowatts of new capacity will be put in service. Of this amount approximately 12½ million is being added by the electric companies. This is the greatest capacity increase ever added in one year, and represents approximately \$4 billion of our companies' money. This must be put to work. To do it, we face a marketing job—for which better selling is a must.

What we have to sell, of course, is the time of our generators. We cannot store our excess capacity. So—let's sell it—as much of it as possible—and convert it into profitable revenue.

Two broad avenues are open to us:

Industrial-Commercial Customers

First, we can induce our present industrial and commercial customers to give us more business.

I don't mean that we can induce present customers to buy more electric power than they can use. But we can do more than most of us are doing to give them reason to buy more power.

The one thing, more than all else, which will help our customers use more power is automation—or electrical modernization of plants.

A great many forces are at work right now to promote the automation or modernization of plants. I think, we, as an industry, can do a great deal more to push this idea.

A number of years ago, when automation was more of a novelty, one power company in the East flew an airplane-load of executives out into the Midwest to see a model plant.

To really make this idea work for us, we should fully organize our own people who know something about automation, and send them into the plants on our systems with an aggressive program for modernization.

We simply need to do a more imaginative and creative sales job.

Residential Customers

Second, a truly great opportunity beckons to us in the residential field . . . including the existing home market. This is a field which is most productive of net utility revenue, and which is less susceptible to economic readjustments.

Yet here is a market which really needs attention. The rate of increase of residential load has begun to reflect this lack of attention during the last year.

Development of this market in the future is a job that we must do to a greater extent ourselves.

The electrical manufacturers are convinced that to meet today's situation, our industry should provide more initiative, more promotional leadership and more promotional money.

Unquestionably we have benefited from the excellent national advertising of our manufacturer allies.

Appliance manufacturers are being caught in a cost-price squeeze which leaves them with a profit of around 2% on sales. Consequently, they point out, any additional spectacular promotional surge at this time must come from elsewhere.

If distributors and dealers do not seem to be too enthusiastic about selling electrical appliances exclusively, we cannot be too critical. Their concern is not logically with kilowatthour sales, but with making a merchandising profit, which is getting harder and harder to do.

It is estimated that the typical distributor is operating at a net profit of less than 1%, and a typical dealer at less than 2%. Hundreds of dealers have gone out of business. The remaining ones say, in effect, that if you want this market developed, we must have more support from you.

We still have friends in the exclusively electrical manufacturing field. But even these are getting more than a little disheartened over our apparent lack of interest in merchandising, particularly in view of the job being done by the gas industry.

So — we have these two broad avenues open to us — the industrial-commercial market, and the residential field . . . and they are wide-open expressways to greater sales and profits.

What we need—in my opinion—to speed our progress in the right direction down this inviting road . . . is a great, inspired and sustained selling effort for the industry . . . a dynamic program of market expansion . . . the greatest display of selling enthusiasm ever seen by our organizations and our industry.

Quoting the words of Phil Powers before the EEI sales conference in Chicago a few months ago:

"We need a bold program that will sell every conceivable beneficial use, with opportunity for individual companies to pattern their effort to particular needs . . . a program that will result in a constantly improved load factor on facilities and stations . . . that will diminish the fluctuations in earnings with seasons and economic conditions . . . that will provide more rapid growth than in the past by running ahead of gas and other competition . . . that will produce a higher degree of diversity . . . that will make for assured and sustained profits . . . and that will improve customer, employee and public relations."

We have seen what better-selling campaigns have done in other fields.

I don't need to remind you about what has been achieved by our friends in the gas industry.

Big Potential Demand and No Material Shortage

This example simply proves once more the power of concentrated selling . . . and should fire our imaginations as to what might be done by the electric industry.

There are no shortages of anything we need to do this job. There is an abundance of appliances, and plenty of materials for building. Consumers have plenty of money in the bank. We don't have to be afraid of selling ourselves into a serious capacity or distribution problem.

Survey after survey shows that consumer acceptance of electric appliances is at an all-time high. Customers want more electric kitchens, air conditioning, color television, washers, dryers, and every other appliance that makes housework easier and their homes more livable.

One manufacturer reports that their survey shows the average home has 25% of the lighting it needs and kwhr use for this purpose alone can be increased 50% in the next four years.

The only shortage that could possibly hold us back is lack of real determination to get the job done. . . lack of faith that it can be done . . . lack of inspiration and enthusiasm to get it done.

But that determination . . . that faith . . . that inspiration and enthusiasm . . . must come from and be transmitted to your own companies to get the job done on the local level. By the same token it is only through you that the job can be done on the national level.

To start the ball rolling on the local level, let's tell our sales departments to prepare an ambitious, far-sighted, long-range program of selective selling . . . designed to load our systems economically and thus aid in sustaining low rates . . . and with sales goals set much higher than ever before.

What services we decide to promote, of course, will be a matter for local determination. But the field appears to be wide open.

Any such program, soundly conceived, ought to be one good for

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*An address by Mr. Tatum before 26th Annual Convention of the Edison Electric Institute, Boston, Mass., June 10, 1958.

Is Your Top Management "Tops"?

By S. L. DRUMM*
Executive Vice-President, West Penn Power Company
Greensburg, Pa.

Utility industry is told of the importance of conducting a continuous, comprehensive "operations improvement" and of increasing its efficiency to help: achieve doubling growth per decade, raise an estimated $123 billion of new money by 1979, stave off government power advocates, and overcomes rate lags during inflationary price rise. Mr. Drumm points out that three-fourths of present plant investment was made in past twenty years and that three-fourths of investment in 1978 will be made in next twenty years. Presents a check list of things that still challenge the industry and should be solved; suggests examples of better methods that could be more wisely used; and urges more extensive participation in organizations of benefit to entire utility industry.

At various times in the history of our industry the spotlight has been on the solution of problems in the fields of engineering, construction, financing, or marketing. Now it is timely to put the spotlight on operations improvement. Improvement in the conduct of every single phase of our companies' activities — the increasing of our efficiency through better management—presents a never-ending opportunity and a continuing challenge.

S. L. Drumm

This is not to suggest that we haven't been improving our operations, or that the caliber of our management has not been changing for the better. Not at all, because that would obviously be untrue. But it is to urge the importance of being sure that our approach is comprehensive rather than piecemeal, that we be quick to study the applicability to our companies of new methods and techniques developed by others, and that we actively search out improvements for ourselves. The urge is to make sure that the spotlight is there and that we are "farming" as well as we know how. In short, we must be alert to be sure that our efforts match the opportunity and the challenge of operations improvement.

Pressures Demanding Better Operations

To continue to compete favorably in the money market by obtaining operating results that will earn the support of the investor, an industry that continues to double in size every decade and that will need an estimated $123 billion of new money by 1979 should keep its management techniques razor-sharp.

An industry that is under unremitting attack by government power zealots should continually make full use of modern management tools and techniques to bring about such a degree of efficient operation, with concomitant low rates and good service as a firm basis for earning the support of the public, to enable us to say in 1979 as confidently as we are saying today—Power Is Our Business.

In an industry whose wages are largely subject to negotiation and whose prices are regulated, with a regulatory lag that works against it in these days of continuing inflation, methods improvement is an outstanding area in which management is free to move.

The methods used in our industry are constantly improving. That should not stop us from probing, in each of our companies, whether our own methods are fully as good as they can be.

We should ask ourselves whether our methods are good enough for today—whether we are searching out methods improvements and putting them into effect to the optimum extent. For example, are we, on a planned and comprehensive basis, updating our organization structure; programming the reduction of excess personnel; modernizing purchasing practices; thinking through our policies; establishing service standards; simplifying procedures; keeping our marketing methods updated; seeing that our engineering manuals, wiring rules, operating and maintenance standards, and personnel practices are free of barnacles; and making optimum use of labor-saving devices? Are we using controls that really tell us how our various company units and our companies as a whole are doing against our own established norms and industry trends, as the "sine qua non" for bringing about improvement?

We should ask ourselves, too, whether our methods will be good enough for tomorrow and, if not, make ready for the needed changes. Our growth tends to make some methods obsolete. In the next decade we must add the equivalent of the electrical facilities that have been building for three-quarters of a century; in the decade beyond that, we face the prospect of adding facilities approximating twice those we now have, bringing our electrical size to about four times that of the present.

With this growth may come need for making substantial changes in organization structure and in assignment of responsibility for various functions, including manning; need for going toward more or less decentralization with clear definition of line-and-staff responsibility, better communications, and increased codification of policies, procedures, and standards; need for engineering decisions based upon clear vision, readiness to change, and a long look ahead; and need for raising sums of money that dwarf what we are now raising.

For a company to be out front in the methods it uses, its top management should work everlastingly at it. By "top management" we do not mean presidents only, but rather the entire upper-level team which includes most, if not all, of you. To attain optimum overall efficiencies, top management should constantly motivate, organize, plan, prod, and control. Otherwise, such optimum efficiencies will not be attained. But with leadership and motivation the search for better methods becomes part of the company's way of life. Don't you agree that that's the kind of leadership it takes to make a company's top management "tops"?

Each of us is fortunate in that, in addition to the better methods we ourselves develop, improved methods developed and tested by others are freely available to us through the trade press and our industry associations. Not all fit our needs are timely for our use. But many do and are. Before giving you some examples, there are three generalizations that will bear emphasis.

Staff Top Structure With Top People

Probably no single thing is so important in assuring this kind of leadership as having the right kind of top organization structure. The span of responsibility of each member should be such that one person can handle it adequately. Responsibility for functions should be carefully assigned with like things grouped together and with a well-understood separation of line-and-staff functions. The top executive staff should be free of drones and should be made up of competent people well grounded in modern management techniques. In staffing the top organization, no one can afford the luxury of waiting for years for death and retirement to open the way for what we know must be done.

By conscious effort and by planning well ahead, the top jobs can be staffed with people who are really "tops." Using the most advanced techniques, it is possible to identify, at a very early stage, those men with the mental equipment, drive, emotional stability, and the other qualifications necessary to achieve managerial success. They should be given wise, progressive development over a long period of years; opportunity to exercise their capacity and to grow and progress; and rewards commensurate with their achievements.

The importance of having the right kind of organization structure can hardly be over-emphasized. It's the tree truck on which the limbs and branches depend for support and sustenance. Without a well-rooted, strong, upright trunk you can't possibly have an outstanding tree.

So if we want the good management that alone can assure optimum overall results, the first generalization is that we look to our organization structure, particularly the top structure.

Decentralization Decisions

The second generalization is that the decision as to whether and how much we should decentralize should not be left to chance but should result from careful study and from having an eye to future needs. As we grow, it is likely that the trend will be toward more decentralization to put decision-making nearer the point of action in order to speed up decisions.

If responsibility is moved out toward the operating districts, care should be taken to move commensurate authority, and there should be the appropriate increase in accountability. If more decentralization is indicated, to get the full benefits line-and-staff responsibilities should be sharpened up; there should be adequate communications without stifling initiative and adequate controls without changing decentralization into abdication.

Plan Well in Advance

The third generalization is that to mimimize errors, decisions that are made on a day-to-day and year-to-year basis should be made against a backdrop of studying and planning ahead in all areas of company interest and should be based on the best forecasts we know how to make. The way to more nearly assure that important long-range objectives are reached and that things we would like to happen actually do happen is to plan it that way long enough in advance.

We might well ask ourselves whether in our company we are attempting such planning on a sufficiently organized and comprehensive basis. Of course, all companies do planning of the three to five years' variety, and sometimes longer, especially in certain physical facilities such as generation and transmission. But we're talking about even longer periods and inclusion of such fields as marketing, personnel, accounting, financial, engineering, operating, and power production.

Top executives can't afford the time to put out the daily fires with hand extinguishers. But they should, through proper delegation, make available the time needed to build a fire-prevention program and a better-equipped fire department.

So the third generalization is that to help assure optimum results, we review the adequacy and comprehensiveness of our forward-looking objectives and plans.

Now let us consider a few examples of some of the newer methods that might beneficially be used more widely. Some of them you are already using. Others may be of help to you. If you are not already doing so, you may want to consciously search out better methods that will increase your company's efficiency and to study them for use in your area of company responsibility. If

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*An address by Mr. Drumm before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 10, 1958.

A Broad-Gauge Employee Information Program Is Mandatory

By CHAS. E. OAKES*

Chairman of the Board, Pennsylvania Power & Light Co. Allentown, Pa.

Mr. Oakes looks to rank and file, and supervisory, employees of public utilities as a great but still untapped potential to impart badly needed insight about the essential facts of this country's economic philosophy. Fearful of long-term problem of continued invasion and growth of public power, the Pennsylvania utility executive makes clear how easily public utility employees can reach a vast number of the public in a friendly and intimate way to present free enterprise case—providing the employees are well grounded about the subject. Urges upgrading employee relations and information, and outlines A. B. C.'s of a suggested in-plant continuous, comprehensive economics educational program.

Alfred North Whitehead once said, "In the conditions of modern life, the rule is absolute: the race which does not value trained intelligence is doomed."

Chas. E. Oakes

I think we are all becoming very conscious of the reality of this observation. The happenings of recent months in the race to conquer outer space have made clear the incidence of scientific knowledge upon our national security. The need for greater technological understanding and better practical application of scientific principles has become very clear and the urge to acquire such knowledge should be fostered.

These and other past events served to bring forcibly before us the truth of this statement in its broadest aspects. This intense interest in scientific progress has for its basis the preservation of America and its institutions. But there is a lack of real understanding of the institutions that made America great. For years, there has been the tendency to proceed on the theory that widespread and complete understanding of the workings of our American system was, perhaps, not wholly essential for the mass of our people. Now, we fully realize that this is not so. That this mistaken notion is being recognized is fortunate. But even more so is the fact that the problem of spreading the knowledge of what we have here in America now is getting the more concerted attention it deserves and by those who have the understanding, the ability and, presently, the will to solve it.

We have, in our industry for many years, been in the first line of an attack by those who would like to remold the structure of our American society. While we have been sensitive to their motives, we have been somewhat less than completely successful in translating their objectives effectively to the public mind. Couched in obscurities made possible by the complexities of our modern society and abetted by the false cloak of promoting the public welfare, these advocates of federalized human endeavor have accomplished much.

How Free Is Enterprise?

Without passing judgment on the motives of these people—whether originating from ignorance or conceived in malice—the severe depression of the '30s and the subsequent world conflict afforded them unusual opportunities, under the guise of emergency, to force the nation further toward restriction of the individual to the point where today we may well ask: Is our enterprise system free?

The results can be found in the infusion of governmental control concepts into all parts of our political structure and our economic life, with the consequent contamination of our democratic ideals and the erosion of human rights. We see the ever-growing assumption by the Federal Government of more and more authority in fields traditionally considered as rightfully within the province of our state and local governments and of ever-greater domination over affairs affecting the individual.

We in our industry have been in the forefront of this conflict of philosophies. And we are deeply concerned as to the outcome and the consequences. I think I can say without equivocation that the leaders of our industry fully realize that our existence in a free competitive society embraces ethical responsibilities which can not be denied.

In this struggle, we are faced primarily with dealing with the most dynamic, most powerful and important things in the world—ideas. And what kind of a nation we become depends greatly on people — and on their economic beliefs and attitudes. What people think and feel finds reflection in our national policies, in the laws and rules under which the economy of the community and of the nation are conducted.

Boils Down to Employee Understanding

To the average customer and local citizen the employee is the company. His attitudes, his knowledge of the company and the interest he displays in the company and his job find expression in the stature in which the company is regarded by the public. The employee is not only a company member but he is also an important member of the community in which it operates and in which it desires favorable acceptance. Management in industry is increasingly aware that the employee is a key figure. But beyond the narrow limits of evident corporate self-interest lie the broader ones of state and nation. And so we come down to the fact that what kind of nation we are to have depends greatly on the individual—in our case, the employee—and on his economic beliefs and attitudes. Therefore, the electric utility industry has an obligation to inform first its employees and then the public itself. We have an immense stake in preserving our business from government encroachment and we have the means of accomplishing this objective as we have what is perhaps the closest continuing relationship between employee and public of any business in America.

To educate and to stimulate the interest of the employee in the economics of the American way of our industry is neither simple nor easy. It calls for contributions from our best and most thoughtful minds. It will take time, money, widespread effort and expository talents of high order.

We are firm in the belief that this task to preserve the electric utility business is a must, and, indeed, in the final analysis we can look at the education of the public of our economic processes through our employees as a very real contribution. It requires a herculean effort to alter public attitudes even slightly. In spite of what has been done in the past, our industry-sponsored polls[1] continue to show that the public believes that:

(1) Though there has been some improvement in the sentiment favoring business ownership of the electric utilities—yet **there is still over one out of three who favor government ownership.**

(2) Though a good proportion feel investor ownership of the utilities is right—yet **there is still about an equal number who can see no way in which they are concerned.**

(3) While approval of government power, TVA for example, has declined some since 1947 and with more people knowing about TVA than in 1953—yet **there are more than one out of three who say they have no opinion, neither approve nor disapprove.**

(4) Although a good majority say that socialism would be bad for the United States—yet **only a little more than half think that if the Federal Government produced all the electricity in the country this would be a move toward socialism.**

These opinions can only be due to lack of understanding by the public on subjects of vital concern to our industry. I cite these few instances simply to indicate that there is a major job to be done.

Employees' Knowledge Is Deficient

Are our employees in the position to give the public this information? Recent inquiries of employees by Central Surveys about employees' knowledge of our business show the need for improvement.

They found that:

(1) While three-fourths of the employees of our companies say they have read something about the use of atomic energy to generate electric power — yet **only about one-fourth recognize the atom as a new fuel source and a conserver of our natural resources.**

(2) While the majority of our employees know that TVA pays no Federal income taxes — yet **only one-fourth know that TVA pays no interest on the funds provided by the nation's taxpayers.**

(3) The word "preference" is not well understood. Only one-fourth check the right answer; **about as many think that "preference" means providing power to hospitals or schools ahead of other users, and again about as many say they don't know what it means.**

(4) The word "partnership" is even less understood and in defining it **only 3% of the employees check the right answer.**

With the evidence before us that an information program for employees is an absolute necessity, what can we do and how can we go about getting this job done?

An employee relation and information program should be considered as a most important phase of a company's work. The department head operating employee and public information programs should have access directly to the top executive in the company and preferably should have executive standing paralleling heads of other departments. This department should also presumably concern itself with employee selection, employee training, position evaluation and classification and employee appraisal.

The basic concept of an employee information program is to fortify the employee with information so that he will be first a more efficient company employee. In turn, he becomes an ambassador of good will for the company and a reliable source of information to his neighbors, his friends and to the general public on fundamental economic principles of the American enterprise system. Inherent in the process, he will be well informed on every phase of the company's operations and its problems.

It can not be assumed that employees generally have a thorough knowledge of the American economic system. The subject generally has not been taught effectively in the secondary school systems from which the great majority of our employees is drawn. Therefore, we should start an employee information program with a good grounding in the essential facts of our economic philosophy.

Suggests Educational Program

There is an amazing ignorance of the basic facts with respect to the profit that is being made by American business. Many polls have been conducted which indicate the belief that 25% profit is normal as compared with the more realistic figure of 4% to 6%. In a study of the American economic system, the discussion should include such fundamental subjects as profits and the division of income, with particular reference to the role that labor plays and the proportion that labor receives; a discussion of the machinery of the economic system by which raw materials are converted into the finished product and values are added as they pass through from one process to another; the role that government plays in the economy and the necessity for and the impact of taxes. Such a discussion should include the creation of wealth and its sources. All these elements and many others must be encompassed in any worth-while program for presentation to employees. One such program has recently been acquired by the Edison Electric Institute for use by its member companies. This is the "American Economic System," embraced in a 96-page illustrated booklet containing a six-hour employees information course together with a kit of demonstration materials, and material for a training school for conference leaders for the conduct of the training program.

It is necessary that the broad areas of economics be thoroughly understood in order that more effective training of employees may be continued in a specialized program relating to the utility business. This is the paramount reason that employees must thoroughly understand the over-all American economic system. Not only must they understand these basic facts, but they must also be-

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*An address by Mr. Oakes before the 26th Annual Edison Electric Institute Convention, June 11, 1958, Boston, Mass.

1 "The Public Appraises the Electric Industry, 1955"—Opinion Research Corporation.

Where Do We Go From Here—And How Do We Get There?

By SHERMAN R. KNAPP*
President, The Connecticut Light & Power Company
Hartford, Conn.

Connecticut utility president draws upon his firm's initially dismal and the subsequently successful public relations experience in securing—against great odds—a harbor power site half mile out of Norwalk, desired by the opposition for a recreation area, to illustrate the point that (1) public relations begins on home grounds, and (2) the utility industry needs to reach the thinking people, the "eggheads," to win in the arena of public opinion. Mr. Knapp prefers the term "people-owned" to "investor-owned" private utilities; finds diffidence rather than willingness to fight for legitimate beliefs by stating one's case to the public characterizes many utility firms; and views as a bargain the cost of participating in the utility industry's four national activities.

We cannot hope to get very far toward molding public opinion in our favor unless we are doing the best job we know how to do in our routine day-to-day work, involving as it does innumerable business contacts with the people of the communities we serve. Just as perfume will not for long hide the need for a bath, neither will a fancy public relations program prove much if our facilities are inefficient, or if our employees are discourteous and inattentive in doing business with our customers.

Sherman R. Knapp

I submit that customers are really our business, and that "Power Is Evereybody's Business." We live for and with the public, and we need their understanding as much as they need our service. To gain public understanding, we must first understand the public—as individual customers, and as vaguely defined national opinion. But before I can raise the titled subject of my talk, "Where Do We Go From Here—And How Do We Get There?", I might better begin by asking, "Where Are We Now?"

Peculiarities of Utility Business

Well—we are in a peculiar business. We are public utilities in the sense that we must deliver our product to anyone who can pay for it. We are publicly owned by anyone with the price in his pants who wants to buy stock. We are publicly responsible to serve our communities—and pay our taxes. We are publicly regulated so that our charges for the services we supply do not result in more than a reasonable return on our invested capital. Incidentally, many people outside our industry who should know better, erroneously believe that regulation means that utilities are guaranteed a profit, and that all we have to do when the going gets rough is to ask for a rate increase. The history of the trolleys, and now the bus and railroad business, denies any guarantee of profit because of regulation.

We were created to serve the public, financed by the public, making a profit for the public. How public can you get? Yet we have allowed ourselves to be labelled as "private" power companies, as distinct from "public" power operations which are directly or indirectly "government power operations" and whose lifeblood is governmental credit and freedom from taxes.

I think some of our problems stem directly from this unfortunate confusion in nomenclature. We say we are "investor-owned." Investors, to oversimplify, are moneyed persons, cash operators who must be rich. Actually, like most corporations, we are people-owned, by school teachers, butchers, cops, businessmen, young couples and old folks who seek a safe place and reasonable return for their money. In a way, it is the glory and safety of our economy that the biggest business is owned in small pieces—by people as people, and not simply by people as taxpayers, who pay their money and have no choice as non-voting stockholders in government operations.

Our business is also peculiar in that our product is invisible, available on a push-button basis. It cannot be packaged, but only measured. Most products have a plus that outweighs the minus—people get a kick out of a car that lets them forget the gas and repair bills—if they've had a good meal, they don't squawk at the check. One reason is that they have exercised a considerable freedom of choice in both quantity and quality of what they eat, drink, drive, and burn up in various pleasant and satisfying ways.

Electric power has no such dimension of personal preference. It does not come in a carton with a four-color label—although I wish it did. While other products provide prestige or some kind of glow, the normal electric customer has but three major contacts, all negative, with the company which has worked so hard to get its product under his thumb:

When he pays his bill.

When the meter reader walks across his flower bed or arouses his dog.

When the lights go out.

Our product, like air, water, and salt in oatmeal, is noticed most in its absence.

In my company's territory we have learned to live with disaster—a couple of hurricanes, two devastating floods, and assorted ice storms which left thousands of people without light, heat, freezers and water. These disasters presented huge public relations problems. But, we thought of them more as private relations problems, things happening to our friends, our customers, who had to be helped and informed, who had to be told by any means available that we were all working to free them from their sudden plunge into pre-electric living. I am still humbled by the faith and patience of these people that somehow, sometime, and as soon as possible, we would get there, and the lights would go on again.

Perhaps this experience has made me doubly conscious that public relations begins with private understanding between a company and its customers. Things were much simplier when you could pick up the phone, after cranking it of course, and say, "Sadie, can you get me John Jones?"—and Sadie would say, "I'm sorry Sherm, he just came out of the bank, and he's walking over towards the harness shop—no, he's not going in, he's crossing over to Judge Peebles—and you know him, so he probably won't be back in his office for half an hour. You want I should call you?" Sadie represented person-to-person communication at its best and we need more of that warm interest and first-name feeling in the mechanics of modern communications.

There is a line in the new Rolls Royce advertising, featuring pictures of people washing their own $13,500 car and using it to lug groceries, which I think is significant to us in the power and people business. It reads, "If you are diffident about driving a Rolls Royce, you can buy a Bentley, which is the same automobile except that the radiator costs less to make so it is priced at $300 less." Well, I thought a Bentley was something slightly better than a Jaguar, and costing maybe a little less than a medium-rare Caddie.

Many Have Been Diffident

The key word is "DIFFIDENT." I think we have many of us been diffident, to say the least, about driving around in our best ideas in our own communities. We have refused to face the difficult, and evaded the unpleasant, on the sleeping-dog basis. Or with that other corporate cowardice — pull down the shades, don't answer the door, and maybe they'll go away.

Possibly, we have an overdeveloped sense of guilt, like a family whose genealogist has found a sheep-stealer hanged on the Scottish moors 400 years ago. Yet a family tree without a dangling ancestor is almost certainly not of noble blood.

I say that many of us have been too diffident, too self-conscious, to drive around in the opinions we have every right to enjoy and employ. Too many of us have been willing to settle for silence, for diffidence, because Great-Granduncle Joe took a shot at the sheriff, or twisted the Senator's tail shortly after San Juan Hill.

Now let me say here that I do not think national problems are a simple multiplication of regional and company problems. I will get to that later. But I do believe that public relations begins on the home grounds. I can prove it with names, dates, and headlines. It happened to us—it could happen to you. This is how it happened, and how me met it by shaking off our diffidence and going straight to the people.

I do not profess to be an expert in what is loosely called public relations—although I have become increasingly aware that every business, cause, campaign, drive, and everyday operation must learn to move within the limits of public understanding. I am, however, an avowed expert on The Case of Manresa Island—I had to be.

Cites Manresa Case

The Manresa case seems to have become a classic in public utility operations with the public. It had everything, embodying every branch of law and public communications, from the first stirrings of local sentiment to a place on the ballot in a city election. In the struggle for public opinion, just about every tool in the kit was used. It has even been chosen as a case study at the Harvard Business School.

It began in 1952 when we bought an island off Norwalk, Connecticut. For years, we had been searching for a site for a waterside plant which would allow us to meet the growing demand for power in Fairfield County, which is the southwestern stub of Connecticut that reaches within 30 miles of New York City. Both residential and industrial use have made this one of the fastest-growing sections of the State—and the country.

Actually, Manresa is not an island, but a fist of land at the end of a thin arm of causeway which puts it a good half mile from the nearest habitation. It is ideally suited to generating plant purposes with respect to both cooling water and water-borne delivery of fuel.

There was an immediate protest from several neighborhood groups who felt that a power plant—even one a half mile or more away—would not be the most desirable addition to the harbor. The opposition was well organized, and well heeled. They made their presence felt at the Zoning Commission's public hearing in December, 1952. At that hearing, which involved no change of zoning because the local commission is authorized to permit utility company construction regardless of zoning, I described the proposed plant, the increasing power needs of the area, pointed out that the new facility would not be objectionable, would employ some 70 people with a payroll of $260,000, and would up the company's tax payments in Norwalk about $200,000 a year.

In advance of the hearings, we had flown a group of Norwalk citizens including the Mayor and representatives from the Norwalk Chamber of Commerce to Rochester, New York, to let them see for themselves the good neigborlines of Rochester Gas and Electric's Russell Plant on Lake Ontario. Following the hearing, the Zoning Commission took the matter under advisement, and in January of 1953 they visited the new plant of the Long Island Lighting Company in Port Jefferson, Long Island, which is also on a beautiful harbor, familiar to all yachtsmen of the area. In January, 1953, the Zoning Commission voted three-to-one to approve the construction of the plant with appropriate restrictions on smoke, noise and water pollution.

Following the approval of the Norwalk Zoning Commission, there were numerous legal maneuvers on the part of the opposition in their efforts to forestall the construction of the plant. The situation finally resolved itself into an appeal to the Connecticut Public Utilities Commission. The hearings on this appeal, which were not concluded until June 1956, consumed 17 days and involved over 2,000 pages of testimony. In October, 1956, the PUC affirmed the Norwalk Zoning Commission's action and the opposition promptly appealed the PUC decision to the Superior Court. When the Superior Court upheld the PUC decision in its order issued just a year ago in June 1957, the opposition still continued the legal battle by appealing to the Connecticut Supreme

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*An address by Mr. Knapp before the 26th Annual Edison Electric Institute Convention, Boston, Mass., June 11, 1958.

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Competitive Atomic Power— Today's Challenge, Opportunity

demand guarantees, especially for large cyclical industrial loads; and possibly even a return to the kilowatt-year concept.

For these reasons, and many others, our earnings position will have to be improved, and the form and level of our rate structures will have to be very closely scrutinized and adjusted.

Our rate of return as an industry I believe is too low, not only for today, but more so for what lies ahead. The financial well-being of our industry needs continuing study and planning.

IX
Higher Level Manpower Needs

Fifth and last on my list of impacts is the impact of our manpower needs.

Too long, our industry has been short of manpower adequate for our rate of growth. The coming of competitive nuclear power is going to intensify that situation too.

For our business is going to become more and more complex in every phase of our operations. I have touched on only a few of the broad problem areas. But these are enough, in themselves, to indicate the new dimensions of the executive of the future in our business.

And there will be manifold lesser problems as well. We'll have to adjust to new conditions —and probably more worrisome conditions—in the regulatory and legislative fields and their effects on both operation and construction. All aspects of our business will be affected — managerial, technical, financial, legal, personnel, public relations, and so on right down the list.

The time is none too soon to start recruiting and developing the men who will cope with the increasingly complex problems in all these areas.

X

In no way do I mean to paint a discouraging picture. If I have concentrated on the problem areas, that's only because problems are more easily solved when they are recognized and dealt with in plenty of time. And there are problems we must face now.

But our opportunities, of course, far outweigh our problems. This vast new source of energy bids well to set aside the single limit which heretofore has faced our industry in an otherwise limitless future. Limitations on our foreseeable fuel resources have now vanished.

XI
What Should Industry Do?

What can we as an industry do about these challenges and these opportunities? Now? Today? Tomorrow?

A great deal, I think.

First, and foremost, we must continue to expand our research development efforts and our construction programs, so that we may in reasonable time achieve our goal—which is America's goal —of competitive nuclear power. This will take a great deal of time, effort, and money. But with a proper attitude on the part of government, and proper assistance —financial, technical, and otherwise—our industry can certainly do the job.

Second, we need broader and better public information programs at both our company and industry levels. The American public, by and large, is still quite uninformed about the electric power industry. We have to kindle their interest by pointing out how they are directly concerned. Then we must see that they get the full facts about what we are doing, what we plan to do, and why.

Third, it's none too early to adjust our thinking and planninng to the coming transformation of the industrial map of America. This transformation will have vastly different effects on different companies. But one way or another, it will affect us all.

Fourth, let's plan more intensively for the impact nuclear energy will have on power system engineering and economics. Units and plants are going to mushroom in size; power is going to be generated and transmitted in unprecedented quantities. We can be thinking about how we can use these inevitable developments to the best advantage of our companies, our customers, and our service areas. These developments can justify corporate mergers, joint ventures, pooled operations, and a host of other corporate arrangements which are all too uncommon today.

Fifth, it behooves us to do more thinking and planning in the area of our financial well-being. This will demand increased consideration of such factors as the higher ratio of fixed to operating costs; economic depreciation; form and level of rates; and adequacy of earnings.

Sixth, let's not forget, in our preoccupation with major problem areas, that there are going to be manifold lesser problems as our business continues on the road toward increasing complexity. They are going to crop up in every area of operations and the time is none too soon to start recruiting and developing the men who will cope with them. Our industry has too long been short of adequate manpower for our rate of growth. And it is the recruits of today who are the solvers of tomorrow's problems.

Seventh and last, let's remember whatever else we do, that the threat of socialized power is not only still with us, but is going to stay with us. We must meet it with every resource we can muster, remembering always that our strongest ally is an interested and informed public opinion.

XII
Conclusion

Implicit in all our planning, of course, must be the realization that we cannot foresee the future. We can make informed estimates, forecasts, and predictions. But we cannot know for sure. As I suggested at the beginning of this talk, much that is commonplace today could not have been foreseen 20 years ago.

So 20 years from now, it may be that we will look back on what I have said today and murmur something like: "How could we have been so far afield in foreseeing what was going to happen?"

But today, our direction seems pretty clear for years ahead. The coming of economically competitive nuclear power is as certain as anything well can be. And I hope that in 20 years' time those of us who are still around will look at the changed face of America, and at the state of our own industry, and be sincerely thankful that we recognized, and tackled, the opportunities and challenges of 1958.

Walston Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert H. Wotherspoon is now with Walston & Co., Inc., 265 Montgomery Street.

TABLE I
Electric Utility Company Participation in Nuclear Power Development Plants in Operation

MAY 1, 1958

Name of Participating Utility Co. & Plant	Type of Reactor	Electrical Capacity of Plant KWE	Owner of Reactor	Operator of Reactor	Estimated Cost to Utility Organization	In Operation
(1) Duquesnes Light Co. (Shippingport)	Pressurized Water	*60,000	AEC	Duquesne Lt. Co.	†$23,300,000	Dec. 1957
(2) Pacific Gas & Electric Co. (Vallecitos)	Boiling Water	5,000	General Electric Co.	General Electric Co.	‡572,000	Oct. 1957
(3) Southern California Edison Co. (Santa Susana)	Sodium Graphite	6,500	AEC	Atomics International	‡1,500,000	July 1957

*Initial capacity; ultimate of 100,000 KW expected. †Includes $18.3 million for the conventional portion of the plant and the site, and $5 million toward cost of reactor. ‡For turbo-generator portion.

TABLE II
Electric Utility Company Participation in Nuclear Power Development Plants Under Construction or Contract

MAY 1, 1958

Name of Organization Name of Plant	Type of Reactor	Electrical Capacity of Plant-KWE	Location	Estimated Cost to Utility Organization	In Operation by
(1) Commonwealth Edison Co-Nuclear Pwr. Group, Inc. (Dresden)	Dual Cycle Boiling Water	180,000	Joliet, Ill.	$51,000,000	1960
(2) PRDC-Detroit EdisonCo. (Enrico Fermi)	Fast Breeder	100,000	Monroe, Michigan	67,146,000	1960
(3) Consolidated Edison Co. of N. Y., Inc. (Indian Point)	Pressurized Water Thorium-Uranium	275,000	Indian Point, N. Y.	90,000,000	1960
(4) Yankee Atomic Electric Co. (Yankee)	Pressurized Water-stainless clad fuel elements	134,000	Rowe, Mass.	57,000,000	1960
(5) Northern States Power Co-Central Utilities Atomic Power Associates (Pathfinder)	Controlled recirculation boiling water	66,000	Sioux Falls, So. Dakota	*28,800,000	1962
(6) Pacific Gas & Electric Co. (Humboldt Bay)	Advanced Boiling Water	†50,000	Eureka, Calif.	20,000,000	1962

*Estimated total cost of project including $6,000,000 research and development contribution by AEC. †Guaranteed. 60,000 KW expected.

TABLE III
Electric Utility Company Participation in Nuclear Power Development Plants in Various Planning Stages

MAY 1, 1958

Name of Organization	Type of Reactor	Electrical Capacity of Plant-KWE	Location	Estimated cost to Utility *Organization	In Operation by
(1) Carolinas Virginia Nuclear Power Assoc.	Heavy Water Moderated and Cooled	17,000	Parr Shoals, S. C.	$22,000,000	1962
(2) East Central Nuclear Group—Florida West Coast Nuclear Group	Gas Cooled, Heavy Water Moderated	50,000	Florida West Coast Area	34,898,000	1963
(3) General Public Utilities Corp.	Water	10,000	Saxton, Pa.	8,000,000	----
(4) New England Electric System	Not yet selected	200,000	New England	----	1964
(5) Pacific Gas and Electric Co.	Not yet selected	200,000	California	----	----
(6) Pennsylvania Power and Light Co., Westinghouse	Aqueous Homogeneous	70,000-150,000	Central East'n Pennsylvania	†62,500,000	1963

*Exclusive of excess operating costs. Includes research, development and construction costs to be borne by organizations concerned. †Based on 150,000 Kw reactor. Does not include excess operating costs.

TABLE IV
Electric Utility Company Participation in Nuclear Power Development Study, Research and Development Projects

Name of Organization	Type of Project	Type of Reactor If Applicable
(1) American Nuclear Power Associates	Study & Planning	Helium-cooled, uranium-bismuth fueled

Group was formed in November 1957. Composed of one electric utility company and four industrial and engineering firms, it is conducting studies looking to development of a prototype reactor.

(2) Atomic Power Development Associates	Study, Research, Development and Testing	Fast Breeder

Group was formed in 1954. Composed today of 31 electric utility companies and 12 industrial and engineering firms, it is conducting research, development and testing associated with the Enrico Fermi plant (see item 2 of Table II of appendix) and studying advanced breeder concepts.

(3) Atomic Power Engineering Group	Study	Not applicable

This group, composed of 13 electric utility companies and 2 engineering firms, was formed in 1955. It is conducting studies of the technical characteristics, operating problems and suitability for application to power systems of various reactor designs.

(4) East Central Nuclear Group	Study	Not applicable

This group, formed in early 1957 and composed today of 14 electric utility companies, has considered a variety of other nuclear reactor concepts in addition to the advanced gas cooled heavy water moderated reactor it is developing with Florida West Coast Nuclear Gp (see item 2 of Table III). East Central Nuclear Gp has also participated with Nuclear Development Corp. of America in a feasibility study of the possibilities of using steam as a reactor coolant.

(5) Minnesota Nuclear Operations Group	Study & Planning	Not applicable

This group, composed of 2 electric utility companies and 26 other business organizations, was formed in 1955 to evaluate and further nuclear development of interest to the state and its industry. It recently donated a gamma radiation facility to the University of Minnesota.

(6) Nuclear Power Group	Study	Not applicable

Group was formed in 1953. Composed today of 7 electric utility companies and 1 engineering firm, it is evaluating promising reactor types and making detailed studies of certain types which appear to have greatest future promise. Earlier studies and research with General Electric Co. led to decision to undertake Dresden Project (see item 1 of Table II).

(7) Pacific Northwest Power Group	Study & Planning	Not applicable

This group, composed of 4 electric utility companies, was formed in 1954 to study the feasibility of design and construction of a nuclear power reactor. In early 1957 the purchase by a member company of a site for a future atomic power plant was announced.

(8) Puget Sound Utilities Council	Study & Planning	Not applicable

This group, composed of one investor-owned and four state and local government-owned electric utilities, was formed in 1955 to determine the nuclear power system or systems most practical, technically and economically, for future use by merger utilities.

(9) Rocky Mt. Nuclear Power Group	Study & Planning	Not applicable

This group, composed today of six electric utility companies and three engineering and industrial organizations, was formed in 1954. It is conducting studies of various types of nuclear reactors looking toward the undertaking of a significant nuclear research program.

(10) San Diego Gas & Elec. Co-General Atomic Div. of General Dynamics Corp.	Research & Development	Not applicable

San Diego Gas & Electric Co. is participating in the fission power research program conducted by General Atomic Div. of General Dynamics Corp. The company's participation will include taking part in the designing of specific reactor systems.

(11) Southwest Atomic Energy Associates	Research & Development	Advanced epithermal, thorium-uranium 233 fuel cycle

This group, composed of 15 electric utility companies, was formed in 1957. It signed a contract with Atomics International Division of North American Aviation, Inc in January 1958 for a 4-year research and development program. Studies and research are currently underway.

(12) Texas Atomic Energy Research Foundation	Research & Development in the field of controlled thermonuclear reactions	Not applicable

This group, formed in 1957, is composed of 11 Texas electric utility companies. It is working with General Atomic Division of General Dynamics Corp. in a 4-year jointly-sponsored research program. Studies and research are currently underway.

TABLE V
Estimate of Expenditures by Electric Utility Companies for Nuclear Power Development*

	1955 and Earlier	1956	1957	1958	1959
†Expenditures for Plants	$11,200,000	$25,100,000	$34,900,000	$52,700,000	$92,600,000
‡Other Expenditures	2,800,000	2,000,000	4,300,000	6,400,000	§10,000,000
Total by Years	14,000,000	27,100,000	39,200,000	59,100,000	102,600,000
Cumulative	14,000,000	41,100,000	80,300,000	139,400,000	242,000,000

*Based on replies to inquiries to member companies of the Edison Electric Institute. Practically all electric utility companies known to be participating in one or more phases of nuclear power development supplied information.

†Estimate of expenditures by electric utility organizations for following plants in operation, under construction or under contract, including accompanying research and development work, but exclusive of any excess operating costs.

Dresden	Indian Point	Santa Susana	Vallecitos
Enrico Fermi	Pathfinder	Shippingport	Yankee

Figures for 1958 and 1959 do not include an estimate of expenditures for the recently announced Pacific Gas and Electric Company Humboldt project.

‡Includes expenditures by individual companies and groups of companies for nuclear power study, research, and development. These figures do not include expenditures associated with any of the eight projects listed in (†) above.

§Approximated.

Record Electric Power Expansion Reported, Though Not as High as Originally Predicted

Edison Electric Institute's mid-year survey recently issued shows encouraging progress in all directions even though record highs achieved do not match 1957 year-end predictions.

The Electric Power Survey Committee of the Edison Electric Institute, chaired by Arthur S. Griswold of the Detroit Edison Co., issued the Institute's 23rd semi-annual electric power survey. It was published May, 1958.


Arthur Griswold

This report covering principal aspects of the entire industry, from constructure and manufacture to capability, was made in cooperation with the power area representatives of the electric power systems.

Findings Summarized

The following is a summary of the basic findings of the "Survey":

(1) **CAPABILITY** of the electric power systems of the United States reached more than 130 million kilowatts at the end of 1957, an increase of 6.5% for the year. The capability forecast for the end of 1961 exceeds 179 million kilowatts, which represents an average annual increase from the end of 1956 of 7.9%.

(2) **PEAK LOAD** for the country as a whole in December, 1957, was 106.9 million kilowatts, 4.4% above December, 1956, but 4.8% below the October forecast. This resulted from a faster than anticipated retrenchment of business during the last quarter of the year, together with an unseasonably mild December.

Present peak load forecast for December, 1958, is 119.5 million kilowatts, 2.5% less than the forecast of last October. Peak load forecasts for December, 1959 and 1960 have been reduced about 2%. For December, 1961, the peak load forecast is 147.6 million kilowatts, which represents an average annual increase from December, 1956, of 7.6%.

The forecast of the 1958 summer peak load is 115.7 million kilowatts, 3.4% above the 1957 summer peak and 96.8% of the predicted December, 1958, peak load. The 1961 summer peak load forecast is 145.6 million kilowatts, which represents an average annual increase from the summer of 1956 of 8.2%.

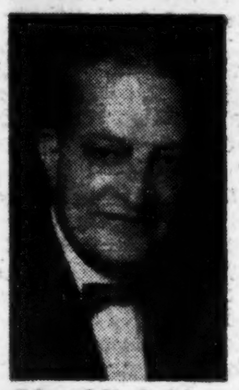
(3) **GROSS MARGINS** predicted for December and for summer in 1958, 1959, and 1960 are higher than previous predictions, owing to decreases in peak load forecasts. Gross margins throughout the period including 1961 are expected to be 20% or higher.

(4) **MANUFACTURE** of heavy electric power equipment set new all-time highs in 1957, and for some classes of equipment is scheduled for still higher rates in 1958. Orders for new equipment, however, continued, in most categories, to fall off sharply during the first quarter of 1958.

(5) **CONSTRUCTION** of new power projects is proceeding at a slightly lower rate than six months ago, but the 15¾ million kilowatts of new capacity scheduled to come into service in 1958 still exceeds that placed in operation in any previous year and is about double the new capacity added during 1957. The total program of expansion covering 1958 and later years includes almost 53 million kilowatts.

Gadsby Redesignated SEC Chairman.

Edward N. Gadsby took the oath of office as a Member of the Securities and Exchange Commission for a new, five-year term expiring June 5, 1963. He was also re-designated Chairman of the Commission by President Eisenhower.


Edward N. Gadsby

Chairman Gadsby has served as a member and Chairman of the Commission since Aug. 20, 1957, when he succeeded to the vacancy created by the resignation of J. Sinclair Armstrong and for the remainder of a term expiring June 5, 1958.

Chairman Gadsby was born on April 11, 1900, at North Adams, Mass. He served in the United States Army in 1918. A graduate of Amherst College (A. B., 1923, Phi Beta Kappa) and the New York University School of Law (J. D., 1928), he was associated with the law firm of Mudge, Stern, Williams & Tucker, New York City, from 1929 to 1937. He then returned to North Adams, Mass., where he practiced law from 1937 to 1947. During this period, from 1938 to 1944 he served as a member of the City Council of North Adams, being President of that body in 1943; and from 1940 to 1945 he also served as Government Appeals Agent of Local Board 132.

In 1947 Mr. Gadsby was appointed a Commissioner of the Massachusetts Department of Public Utilities and held that position until 1952, serving as its Chairman from 1947 to 1949. In 1952 he was appointed General Counsel of the Massachusetts Department of Public Utilities, and held that position until 1956. Thereafter, and until he joined the Commission in August, 1957, he was a member of the Boston law firm of Sullivan & Worcester.

Chairman Gadsby is a member of the New York and Massachusetts Bars and has been admitted to practice in various Federal courts. He is a member of the American, Massachusetts, and Middlesex County Bar Associations.

With Cooley & Co.

(Special to The Financial Chronicle)

HARTFORD, Conn. — John F. Ganley, Jr. is now affiliated with Cooley & Company, 100 Pearl Street, members of the New York Stock Exchange.

2 With Parker, Connaway

(Special to The Financial Chronicle)

PORTLAND, Ore.—Vivian A. Bish and Cleo V. Hickman are now with Hunter Parker, Connaway & Holden, 430 Southwest Morrison Street.

Juran & Moody Adds

ST. PAUL, Minn. — Donald R. Hamilton has been added to the staff of Juran & Moody, Inc., 93 East Sixth Street.

The Economic Outlook

By ALAN H. TEMPLE*

Executive Vice-President, First National City Bank of N. Y.

Mr. Temple concludes we have entered a "bottoming out" period and should expect some increase in industrial operations within this calendar year. Sees, however, turnaround in business plant-equipment expenditures still a long distance ahead, and a slower rate of growth for a time in comparison with post World War II rate. While doubtful of vigorous recovery, then, in the short run, he optimistically contemplates dynamic growth for the longer run.

Business reports of the past few weeks are encouraging. New orders, after making a low in February, have shown gratifying stability and in some lines modest improvement. Steel production has risen considerably. In overall terms, the decline in industrial operations has slackened or stopped.


Alan H. Temple

Summer shutdowns and the automobile model change may bring new lows in the indexes in July and August, but if so these may be considered part of the long-expected "bottoming out" period rather than renewed fundamental weakness.

By midsummer the business decline will be a year old. Nearly all of the business declines in our history, except those which have been accompanied by a spiralling world depression or by grave financial difficulties, have completed the downward leg within a year or thereabouts.

Since the likelihood of either severe financial liquidation or a major world depression is small, the controlling fact for the months just ahead is that production curtailment has brought output well below consumption, and that inventory reduction has been the most rapid in our history.

In the first quarter of this year the demand for goods and services, expressed in dollars, was 1.4% below the peak, but production was more than 4% lower. The gap between production and consumption was $9 billion, at an annual rate. In the second quarter the gap apparently is of similar size. The difference is supplied from inventories.

"Bottoming-out" Period Noted

In due course this gap must be narrowed or closed, for inventories cannot supply it indefinitely. It may be closed in part by falling consumption, but mostly by increasing production. The conclusion is that the "bottoming out" period, which we have apparently entered, should be followed by some increase in industrial operations, within this calendar year.

It is true that inventories are still high in absolute amount. It is not true, however, that improvement in production must await maximum inventory reduction, for experience has shown that in every cycle much inventory liquidation takes place after, not before, the upturn begins.

The major anxiety about business now is no longer "How deep will it go?", for the answers are developing, and they are reassuring. Rather the questions are "How long will business stay below normal? How rigorous a recovery can be expected?" The answers to these questions are less happy. The turnaround in business expenditures on plant and equipment probably still is a long distance ahead. Exports probably will decline further. There is reason to think that the rate of growth in our economy may be slower for a time than it has been since the war, while we were making good the war shortages. People are pretty well stocked, and they still owe a lot of money.

These are reasons for suspecting that recovery will not be very vigorous. Overly optimistic expectations may be disappointed. For the longer run, however, there should be no doubts.

The dynamic influences in the American economy are firmly founded in immense research and development expenditures, in population growth, and not least in the qualities of aspiration, enterprise and faith.

Businessmen are looking to the longer future with great confidence, and I am sure they are correct in doing so.

*From a talk by Mr. Temple before the 8th Annual Business and Finance Forum, First National Bank in St. Louis, June 11, 1958.

Hutchins & Parkinson To Admit John Grant

BOSTON, Mass. — Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges, on July 1 will admit John Grant to partnership.

Smith, Hague & Co. to Admit H. H. Smith, III

DETROIT, Mich.—Hal H. Smith III will become a partner in Smith, Hague & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges, on July 1.

Winslow, Cohu Firm To Admit H. Lloyd

Winslow, Cohu & Stetson, 26 Broadway, New York City, members of the New York Stock Exchange, on July 1 will admit Herbert Lloyd to partnership.

Joins Dean Witter

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert W. Church has become affiliated with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Continued from page 29

The High Cost of Redemption

costs of government, so the government resorts to inflation.

Basing their conclusions on studies of the financial behavior of nations, competent economists, such as Colin Clark, have concluded that when the tax take of government rises to the range of 20-25% of the earned income of the people, large segments of the population will insist upon increases in the volume of the money as a means of easing the burden of direct taxes. In other words, they **demand** inflation.

It has been demonstrated many times that once the government assumes responsibility for the economic welfare of its citizens, the 20-25% range in take of earned income is quickly reached. In the United States we are far beyond this point. We are now above 32%! And the inevitable progression appears to be on schedule, as indicated by the fact that from 1933 to 1955 there has been a 500% increase in the money supply of the United States (i.e., total deposits and currency outside banks) while the population increased only 32%. In spite of the vastly increased productivity of our industrial machine, there has occurred, since 1933, a sharp decrease, some 55%, in the purchasing power of our money!

There are many areas where government has intruded into the domain of private responsibility and has substituted the weight of political factors for the interplay of economic factors as a regulator of our economy. We all know the depressing story of the farm subsidies which, in the long run, have injured, not benefitted the farmer. They have resulted in $8 billion of unwanted farm products maintained in costly storage, with an attendant onerous regimentation of agriculture. In spite of these gifts, during the past six years there has been a 23% decline in net farm income!

There are other activities which bid fair to rival the farm story, as, for example, water resources and public power developments, disaster assistance, area redevelopments, Federal aids to education, social security, unemployment relief, Federal Health programs, minimum wage laws, loans to poor business risks, controlled money costs and others.

The mood of our country is one of apprehension — many of our people have an uneasy intuition that something has gone wrong, and they look for a scapegoat. The industrialist calls the politician venal and self-seeking; the labor leader and his political hencemen paint the industrialist as a greedy monster; the teacher, the minister, the doctor, the workman — all point the finger of accusation at other elements in our body politic. Each one denounces special privilege and government largesse — **when the other fellow gets it.** But when his own interests are involved, he rationalizes **his** project as being for the general welfare.

Unfortunately, many of these accusations appear to have substantial basis in fact! For example, we businessmen look for government subsidies or loans when we cannot obtain funds from private sources. The farmer demands a guaranteed income, subsidized electricity, irrigation and tools. The doctor is opposed to these socialistic measures and to socialized medicine, but wants subsidized training, research and laboratories. The educator points out the deplorable lowering of moral standards which results when a person is deprived of the responsibility for his own welfare — and then demonstrates that government aids to education are essential for national survival! The scientist implores government to provide generous funds for "research essential to the National Defense and the common welfare." The union official insists that he must have special laws which confer upon him the exclusive power to coerce and regiment his members, to abolish freedom of contract, and to resort to violence, all under the guise of "conserving labor's gains."

Young people want government to provide them with an education, a job and a pension. Old people are content, for the moment, with generous retirement provileges. And the man-in-the-street demands from government a subsidized house, food, medical care, and an ephemeral thing called "economic security."

Perhaps it would be well to remind those who clamor for government favor that when we concede to government the authority to **give**, we automatically concede the authority to **take**. Those who declaim in favor of **minimum** wage laws are setting the stage for **maximum** wage laws. When government is given authority to adjust farm prices upward it acquires authority to adjust them downward, and also, the power to set quotas, up or down. In such cases, political expediency becomes the guide to economic action.

In my work with the Second Hoover Commission, I received many written and oral statements from elected officials, public administrators, legislators, private citizens and from assorted beneficiaries of public "economic and social uplift" projects in all parts of the country.

The most discouraging feature of these communications was the apparent eagerness of a large and vociferous number of our people to reach for unearned government hand-outs.

If I were to take a man's belongings by stealth or violence, it would be theft — an immoral act for which the law would punish me. But by some strange mental process we have rationalized a code of ethics which provides that if we **vote** away a portion, of another man's property and use it for the special benefit of ourselves or others, we have merely to call it "promoting the general welfare" in order to remove all taint of dishonesty. In other words, we, as voters, call upon government to do things for us which we would shrink from doing for ourselves as private individuals. The welfare state is just this kind of thing writ large, and yet there are some who would excuse the immorality of these political redistributions of property on the ground that they are legal!

It has been said that the people never give up their liberties except under some delusion. We have been losing our liberties under the delusion that government has some competence in the realm of economics, some magic multiplier of wealth, some sort of access to a fourth dimension from which economic goods may be had without working, but only for the voting.

For endless examples of what I am talking about, take any recent election campaign. Perhaps the more blatant of the claims of those seeking our votes is that, under their guidance, government will provide us with economic security, i.e., at least a minimum of economic goods — houses, food, clothing, and so on. But they glibly gloss over the fact that government does not produce the economic goods it promises to dispense; people **produce** them. The three factors in production are land, labor and capital; government is not one of these. Therefore, before government can give you something it must first take it away from someone else; and, conversely, before it can give somebody else anything, it must first take it away from you.

This is not the road to prosperity or to justice. In current theory, government promises to play Robin Hood, robbing the rich to pay the poor. The theory is thoroughly immoral—but the practice is even worse. The promise is soon forgotten and Robin Hood robs rich and poor alike to pay Robin Hood. All this, in the name of the "general welfare!"

What Happens Under "Pseudo-Charity" by Government

Any person who dares to question these immoral and uneconomic principles of the welfare state is accused of being uncharitable. Such accusations are gratuitous. Every person of good will wants to see other men better off—better housed, better clothed, better fed, better educated, and so on. But he has grave doubts about the propriety or the effectiveness of the means employed by the welfare staters. And when it comes to taking care of the unfortunate, **every lover of liberty believes devoutly in voluntary gifts and charity.** But he objects to the imposition of a "pseudo-charity" by government on unwilling givers as immoral and uneconomic—injurious alike to the recipients and to the forced contributors. He foresees these sure results of such action:

First—The victim is deprived of what he produces, which destroys his **incentive** to produce—as well as his faith in the two Commandments—"Thou shalt not covet" and "Thou shalt not steal."

Second—The one who received unearned gifts is relieved of the **need** to produce which, likewise, destroys **his** incentive and leads him to depend for his sustenance on a paternal government which demands his vote as a prerequisite for aid.

Third—As production inevitably declines, the coercive State must resort to force. With voluntary production destroyed, the powers-that-be seek a way to "whip up" production among the ever-increasing non-producers. Even the original beneficiaries become the victims of the thing they helped contrive. The "carrot" of incentive is now discarded in favor of the "stick" of coercion. The planners who hoped that their over-all blueprints for salvation might be accepted voluntarily now see that there is opposition which they must eliminate. They resort to force; their very devotion to the noble ends they seek blinds them to the immorality of the means they employ.

Fourth—Those who have appropriated the political power to make others conform to their wills inevitably develop a moral weakness. There are many instances in contemporary history of the well-intentioned politician who, after an extended period of exercising power, concludes that power and wisdom are so much alike that, since he wields power, he must also possess wisdom. He is converted to the seductive thesis that election to public office endows the official with **both** power and wisdom. At this point, he has difficulty distinguishing between what is morally right and what is politically expedient.

Such, in barest outline, is our present situation as I see it — an overextended government, excessive taxation, politically engineered inflation, mistaken ideas about economics, moral confusion, personal liberty in decline and a growing political idolatry.

Where lies the blame for our current predicament — so foreign to the promises of the original American character and faith?

Lays Blame On All of Us

The fact is that all of us, you and I, must share the blame. Somewhere we got off the track. Over the past 50 years we have encouraged—nay we have actively participated in — the propagation of a misplaced faith in the power of government to accomplish all sorts of social, economic and even moral purposes. Implementing this faith we have thrust enormous powers upon government; or else we have, with great docility, acquiesced while the powers and functions of government have been extended, accelerated and centralized. Such an enhancement of political power at the expense of social power is correctly labelled "socialism."

The tendency of the American business manager, in common with citizens in other walks of life, is to be complacent about the advance of what might be called piece-meal socialism — political intrusion that does not encroach upon what he conceives to be his own territory. We tend to be apathetic about the general socialistic drift. In many instances we actively support socialistic measures under the guise of promoting prosperity or "developing the community." But we should now be aware that what threatens to engulf us is total state socialism. Leaders in business, all others in a position to influence public opinion, have a duty to actively oppose socialism wherever it appears, because socialism is ancient tyranny under a modern disguise —even though it has enlisted some misguided idealism in its behalf. If the promise of America is to be redeemed we must oppose state socialism on every level—philosophical and spiritual as well as economic and political. If our sole concern is merely that aspect of socialism which directly confronts our own company, or our own industry or our own community, we may contribute to the advance of socialism on other fronts by our neglect, if not by our positive actions.

More than 50 years ago, the great historian of Rome, Theodore Mommsen, visited our country. At a reception in his honor, he was asked, "Mr. Mommsen, what do you think of our country?" The great scholar replied, "with 2,000 years of European experience before your eyes, you have repeated every one of Europe's mistakes. I have no further interest in you."

But we who love our country cannot so easily abandon interest in its welfare. Our country today is facing a crucial test in its struggle for survival. I believe the issue will be decided in the arena of

moral values—not on the field of battle. Our current situation was well described by one of our military commanders in these words: "It is the sort of moral crisis from which one merits the victory only when there is no longer a wide and embarrassing gap between one's stated aims and one's personal example."

This means that when we preach the gospel of freedom to the oppressed peoples of the world, we must first make sure that we believe in it—**and practice it**—at home. Otherwise our words carry no conviction.

We cannot sell the goods we do not have in stock. The fact is that today America is moving rapidly in the direction of a police state. Many of our people have been converted to the idea that freedom has been tried and found wanting, just as some believe that Christianity has been tried and found wanting. Many of us subscribe to the concept of the New and Fair Deals—the idea that by substituting man's law of force for God's law of love, people can be coerced into "doing good" for their neighbors. It appears that the self-anointed humanitarians who advocate these measures have convinced themselves that the second of the two great Commandments, "Thou shalt love thy neighbor as thyself," can be enforced by the police power of the State and that when this occurs the first, "Thou shalt love the Lord thy God," ceases to have much significance.

Trend Toward Police State

If this trend toward the police state does not frighten us, then we get our ulcers from some of its by-products; corruption in high places, juvenile crime, the perpetual world crisis, the cruelly oppressive tax burdens, and so on.

One cannot help recalling the prophecy uttered by the great English scholar and statesman, Macaulay, in 1857. Addressing himself to America he said, "Either some Caesar or Napoleon will seize the reins of government with a strong hand; or your republic will be as fearfully plundered and laid waste by barbarians in the Twentieth Century as the Roman Empire was in the Fifth; —with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, and that your Huns and Vandals will have been engendered within your own country by your own institutions."

Is there a way ahead which will take us out of this morass? Is there a way to recover the sanity and balance that once marked our life? I believe there is—and that it is also the **only** way out. But it is not by means of political nostrums. It is through the rehabilitation of those moral and spiritual values which I mentioned earlier.

A Way Out of This Morass?

Now you may ask, how can this rehabilitation be accomplished? I have seen no better answer than that given by Dr. Ralph Cooper Hutchison, until recently President of Lafayette College. In an inspiring address entitled, "Those Who Would Have Freedom From Tyranny," he said: ". . . Our common ideal is that these laws of God, these rights of man, **these responsibilities of the individual to the social order** should be preached and taught but not otherwise be forced upon the minds and consciences of the human race. Go ye into all the world and teach all nations—was the last command of the Master. To force men into ways of righteousness by police powers, to legislate them into social progress by laws, to brainwash them from their evil ways, to torture men to the confessional, to hypnotize the social order with mass psychiatry, to terrorize them into discipline, was never in the creed of spiritual America. This became rather a teaching and a preaching land. Education by conviction has been our ideal . . . The teaching persuading mission we believe is the way of social reform. . ."

In the Vigínia Bill of Rights, drafted by George Mason and adopted on June 12, 1776, there appears this statement in Article 15: "No free government or the blessings of liberty can be preserved to any people but by a firm adherence to justice, moderation, temperance, frugality and virtue, **and by frequent recurrence to fundamental principles.**"

What were the fundamental principles referred to by Mason? I believe they were, broadly speaking, religious principles; not so much the doctrines and creeds which distinguish one sect or denomination from another, but rather the fundamental belief in God which they share. It was a basic American principle to maintain a strict separation between church and state, not because of any hostility to religion; quite the contrary. The state was to be secular in order that the society might be genuinely religious. De Tocqueville saw this clearly when he wrote in 1835, "Religion in America takes no direct part in the government of society but it must be regarded as the first of their political institutions." **A free society is possible only if it is composed of self-disciplined individuals.**

These convictions are visible in both the Declaration of Independence and the Constitution. The framers of those documents believed that they were transcribing "the laws of Nature and of Nature's God." The supremacy of the Constitution was believed to stem from its correspondence to a law superior to the will of human rulers.

Dr. Edwin S. Corwin, noted scholar and teacher of political economy, writing of "The 'Higher Law' Background of American Constitutional Law," describes this sanction as follows: "There are certain principles of right and justice which are entitled to prevail of their own intrinsic excellence, altogether regardless of the attitude of those who wield the physical resources of the community. Such principles were made by no human hands; indeed, if they did not antedate deity itself, they still so express its nature as to bind and control it. They are external to all Will as such and interpenetrate all Reason as such. They are eternal and immutable. In relation to such principles, human laws are, when entitled to obedience save as to matters indifferent, merely a record of transcript, and their enactment an act not of will or power but one of discovery and declaration."

In effect, the Founding Fathers were trying to set up a secular order based on their idea of the pattern laid down by God for man's conduct in society. This was in strict conformity with the basic truth that every social order derives its sanctions from the prevailing concept of the cosmic order. And as evidence of the faith in the sanction of "divine Providence" for their actions, they pledged to each other "their lives, their fortunes, and their sacred honor."

In the foregoing discussion I have not meant to imply that there are not problems peculiar to the economic and political levels, but I do mean to say that if men are not right at the deeper level—in their understanding of the nature of the universe and of God's moral code—they can tinker with economic and political problems from now until doomsday and still come up with the wrong answers—which is precisely what we have been doing in recent years. It is a case of putting first things first, and the first thing, in my judgment, is a rehabilitation of those moral and spiritual values which are basic to the American dream. I believe that such effort on our part will call forth the supporting power of cosmic sanction, for God intended men to be free. "The God who gave us life," Jefferson observed, "gave us liberty at the same time." We will need conviction, courage, strength, understanding, humility, compassion and **faith** to set in motion what William James referred to as "those tiny, invisible, molecular moral forces which work from individual to individual, creeping in through the crannies of the world like so many soft rootlets, or like the capillary oozing of water, but which, if you give them time, will rend the hardest monuments of men's pride."

Averting Disaster

Here let me disavow any intent to put on the mantle of a prophet of inevitable doom. While I am convinced that disaster lies ahead unless we change course, **I firmly believe that the world is now on the threshold of what could be such a dynamic expansion of spiritual growth and material productivity as to tax the capacities of all mankind! The world looks to America for moral leadership. We can supply that leadership if we emulate the Founding Fathers in their devotion to "justice, moderation, temperance, frugality and virtue" and "frequent recurrence to fundamental principles."**

What specific steps must be taken? I believe that no one, no matter how exalted his position, can determine for 172 million people their day-to-day economic and social decisions concerning such matters as wages, prices, production, associations and others. So I propose that these decisions, and the problems connected therewith, be returned to the persons concerned. This could be done in five steps, as follows:

First—Let us stop this uneasy drift toward collectivism by ending all further private raids on the public treasury — whether conducted by unions, businessmen, farmers or any other group. In one respect, this is the easiest step of all—we need only refrain from passing more socialistic laws. But we have become so addicted to socialism, that it will be just as hard for us to break the habit as for an alcoholic to stop his compulsive drinking.

Second — Let us undertake at once an orderly demobilization of the bureaucracy by the progressive repeal of the socialistic laws now on our books. This is the road back to social health and sanity, and it will be a struggle all the way; every pressure group in the nation will fight to retain its special privileges, subsidies and government protection. But if freedom is to live, all politically privileged positions must go!

Third—Of the powers that remain in government, let us return as many as possible to the States. For on the local level, the people are able to apply more critical scrutiny to the acts of their government agents and to take corrective action.

Fourth — Let us resolve that

Continued on page 38

Continued from page 37

The High Cost of Redemption: Moreell

never again will we yield to the seduction of the government panderer who comes to us offering gifts paid for with our own money, in return for a surrender of our natural rights.

Fifth—Above all, let us hold higher before our eyes the banner of individual moral responsibility, acknowledging that unless each one of us humbly tries to govern his actions by God's moral code—as this finds expression in such statements as the Ten Commandments and the Sermon on the Mount—he brings chaos into society and invites tyranny.

These measures require bold action. Those who take up the gage of battle will be the real pioneers of our age, the frontiersmen of the last half of the Twentieth Century.

At the close of the Constitutional Convention, Benjamin Franklin predicted that the Federal Union ". . . can only end in despotism, as other forms have done before it, when the people shall become so corrupt as to need despotic government, being incapable of any other." And when asked by an anxious citizen, "Well, Doctor, what have you given us, a republic or a monarchy?" Franklin replied, "A republic—if you can keep it."

"How long will the Republic endure?" asked the late David Starr Jordan, President of Stanford University. He answered his own question: "So long as the ideas of its founders remain dominant."

One last word; more than 700 years ago the great Italian poet, Dante, said: "The hottest places in hell are reserved for those who, in a period of moral crisis, maintain their neutrality."

With McQueeny-Hendon

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Floyd M. Baird has become associated with McQueeny-Hendon, Inc., 440 East 64th Terrace. He was formerly with Mutual Distributors, Inc.

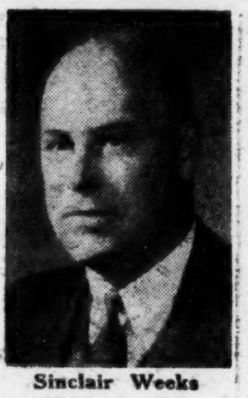
The Economic Situation

By HON. SINCLAIR WEEKS*

Secretary of Commerce

"The field day of the hand-wringing pessimist is about over," Commerce Secretary Weeks declares in calling attention to strengthening confidence in job security said to be engendered by knowledge of rising employment and continued personal income strength, which are weighed with other plus factors against minus factors. Agrees our convalescing economy will not achieve complete health rapidly, but avers the outlook is bright for better times later this year.

We are living in quite a different world from the one most of us were born into. The rapid development of science and technology has created, on the one hand, dangerous military and political problems and, on the other, limitless opportunities for the good of mankind.



Sinclair Weeks

National attention is directed to the advances of the Communist bloc in science education and in the making of sputniks, intercontinental missiles and nuclear weapons. American public opinion is determined that our own private and public science shall be strengthened. The fact that the National Bureau of Standards—under the able direction of Dr. Astin—will expand its program is one assurance that we are trying to meet the needs of the ultramodern age.

Among the opportunities unfolding to this generation is the greater use of science and technology in economic progress. Scientific research has played an important role in creating new products, in increasing productivity and in other ways raising the standard of living.

Regardless of a slower economic pace right now compared with 1957, and of the necessary demands of national security, we must not water down research connected with the civilian economy. We must not rob tomorrow of its chance to grow strong. We must continue to encourage research, including basic research which is the fountainhead of future development.

The importance of science and technology to the economy is clearly revealed by the history of the National Conference on Weights and Measures. It is brought home to everyone who examines your record that your interests, your activities and your influence are so closely connected with the interests of the business community and with the national economy that your leadership and guidance contribute greatly to economic stability and growth.

Economic Situation

Because of your important role in the economy, I have been asked to give a brief run-down on the current economic situation—both the headaches and the hopes.

For the last several weeks, business statistics in general have looked better than at any time since the decline started last year. The field day of the hand-wringing pessimist is about over.

If public confidence continues to grow, if business continues to spur the upturn, and if government continues to keep away from gumming the works by unsound legislation, the economy should continue to improve.

To get a better understanding of the prospect, let us first consider some major causes of the recession. A super-boom in capital investment created temporary overcapacity. Confidence waned last fall and buying shrunk. Inventories piled up above sales.

The Commerce Department announced in the press recently, a survey showing that businessmen expect to invest $31 billion in new plant and equipment this year.

Admittedly, this sum is below the $35 billion spent in 1956 and is 17% below the record outlay of $37 billion in 1957. But don't underestimate this significant comparison: Except for these two all-time peak years, this year's total is higher than that for any other year.

As sales improve, business as always will step up its capital spending to improve its know-how and to add to its facilities so as to produce the amount and kinds of goods the people want.

Excessive inventories, in relation to reduced demands, have caused layoffs in manufacturing, especially in autos and other consumer durables and in producers' durables.

Now the inventory picture looks a bit better. Many companies are scraping the bottom of the barrel. Stocks, on a seasonally adjusted basis, declined $800 million in April.

This must mean that some companies are improving their inventory position. Thus, with sales strengthening somewhat, some firms have been buying again for inventory which means more production and more jobs. Steel mill operations advanced from a low of 47% of rated capacity in the last week of April to 61% in the first week in June.

Other signs of healthy revival are: Employment in May rising to 64.1 million, a jump of 1.2 million from April. The number of jobless dropped by 200,000 to 4.9 million. The seasonally adjusted unemployment rate declined from its high 7.5% in April to 7.2%, the first dip since the rate started to soar last summer.

Preliminary estimates reported last week by the Department indicate that new construction activity went up to $4.1 billion in May, a 10% increase over April. Total dollar volume for the first five months at $17.7 billion is about equal to that of the same period last year. Our Interstate Highway Program will be accelerated in the coming weeks and add its boost to the forward thrust of construction.

Summary

The indications are that the convalescing economy still has some months to go before it recovers complete health. Because of plant over-capacity and inventory backlogs, the pace of revival may not be as fast as we should like.

But confidence in job security is strengthened by the knowledge of rising employment, and additionally because personal income is holding up so well. The ability to buy consumer durable goods is strengthened by this fact and by the ample reservoir of savings and credit.

Considering both the minus and the plus factors, the outlook is bright for better times later this year.

To me, optimism is another word for vision. When we examine closely our strong economic foundation and correct its lingering weaknesses and when we realize our nation's expanding science and its potential for spectacular economic growth in the next 10 years, the evidence in support of realistic optimism is overwhelming.

*From a talk by Mr. Weeks before 43rd National Conference on Weights and Measures, Washington, D. C., June 10, 1958.

$15 Million Bonds of Okla. Gas & Electric Offered to Investors

An underwriting group managed jointly by Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. on June 17 offered $15,000,000 Oklahoma Gas and Electric Company 3⅞% first mortgage bonds due June 1, 1988. The bonds are priced at 101% and accrued interest, to yield 3.816%. The group was awarded the issue at competitive sale June 16 on a bid of 100.3099%.

Net proceeds from the financing will be applied by Oklahoma Gas and Electric to payment of part of the costs of its construction program.

The bonds are redeemable at the option of the company at prices ranging from 104.88% to 100% but if they are redeemed prior to June 1, 1963 through a debt refunding operation having an effective cost of less than the interest rate on the bonds, redeemed, then the regular redemption premium will be increased by 3% of the principal amount. For the sinking fund the bonds will be redeemable at prices ranging from 101.16% to 100%.

The company owns an interconnected electric production transmission and distribution system located in central Oklahoma and western Arkansas which includes 10 generating plants with an aggregate capability of 906,400 kilowatts. Its operating revenues during the 12 months ended March 31, 1958 totaled $50,577,000 and its net income $10,055,000. Fixed charges for the period were earned 6.08 times.

Joins First of Michigan

(Special to THE FINANCIAL CHRONICLE)

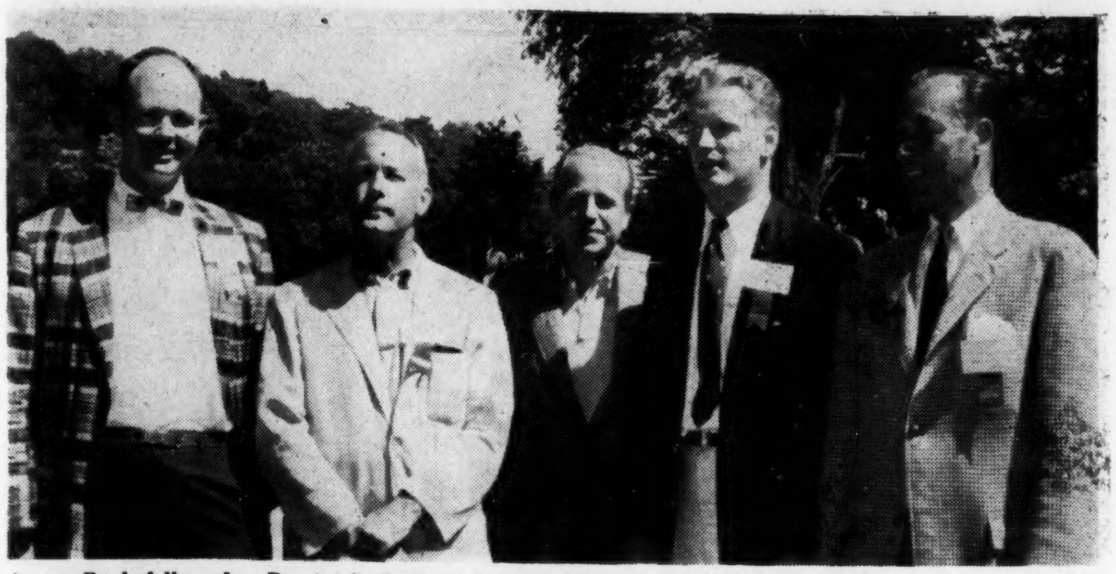
DETROIT, Mich.—Oscar L. Buhr has joined the staff of First of Michigan Corporation, Buhl Building, members of the Detroit Stock Exchange. He was previously with Detroit Bank & Trust Company.

With Parker, Wester

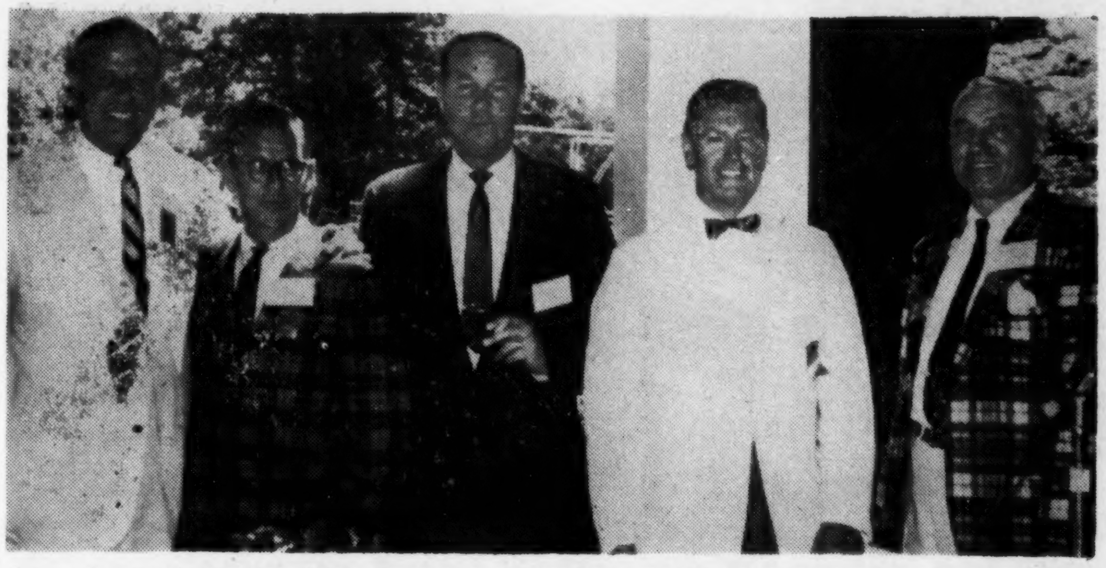
(Special to THE FINANCIAL CHRONICLE)

CARMICHAEL, Calif. — Gerald P. Dunkly has become connected with Parker, Wester, Taranto & Co., 6609 Stanley Avenue. He was formerly with Richard A. Harrison Inc.

Bond Club of New York



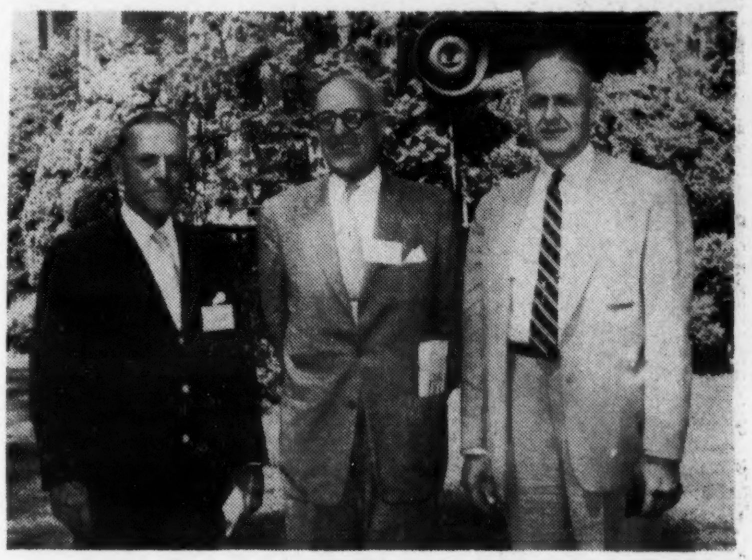
Avery Rockefeller, Jr., Dominick & Dominick; Chester H. Lasell, *Morgan Stanley & Co.;* Malcolm Conihe, *Winslow, Cohu & Stetson;* Maitland T. Ijams, *W. C. Langley & Co.;* Hudson B. Lemkau, *Morgan, Stanley & Co.*



George S. Renchard, *Chemical Corn Exchange Bank;* Sidney Duffy, *Blyth & Co., Inc.;* Earl K. Bassett, *W. E. Hutton & Co.;* W. Scott Cluett, *Harriman Ripley & Co., Incorporated;* Robert J. Lewis, *Estabrook & Co.*

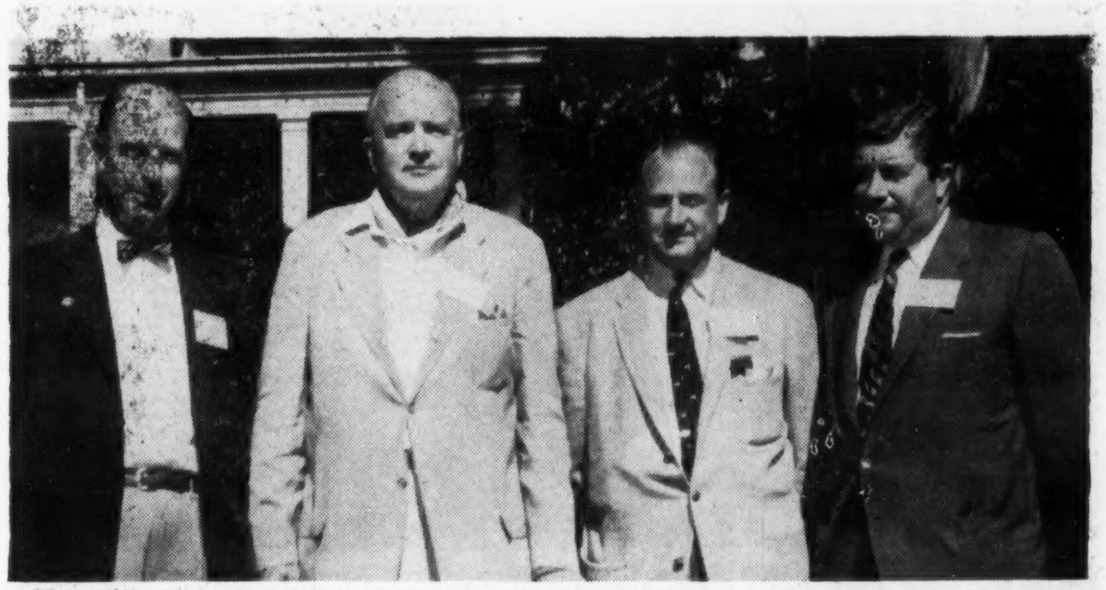
Sumner B. Emerson, *Morgan Stanley & Co.,* outgoing president of the Bond Club; Harold H. Cook, *Spencer Trask & Co.,* incoming president of the Club

William G. Laemmel, *Chemical Corn Exchange Bank;* Austin H. Patterson, *First Boston Corporation;* Ed Peet, *Burns Bros. & Denton, Inc.*



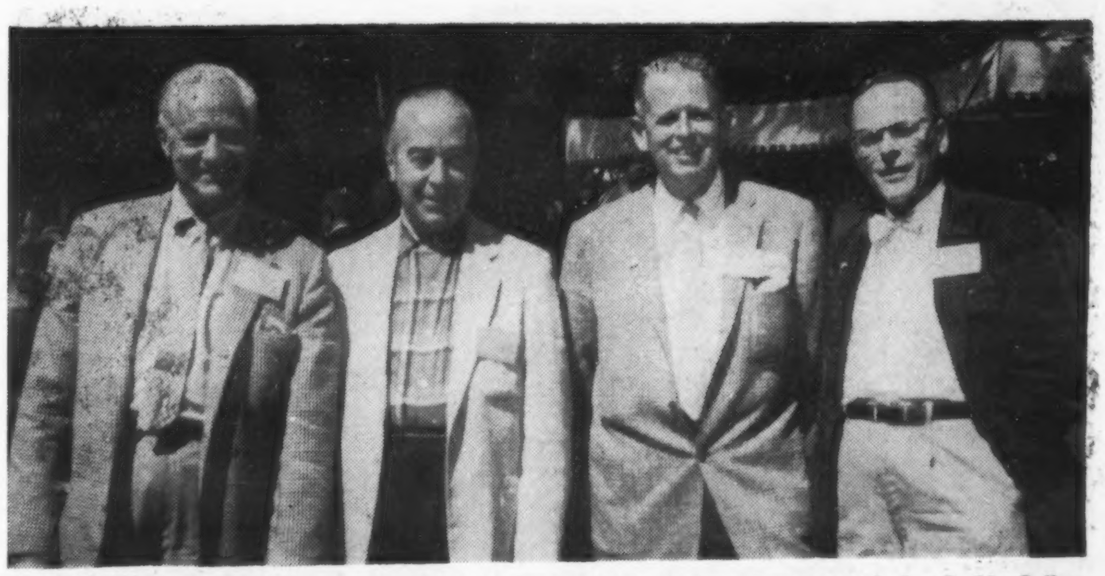
F. Donald Arrowsmith, *Van Alstyne, Noel & Co.;* B. W. Pizzini, *B. W. Pizzini & Co., Inc.;* Col. Oliver J. Troster, *Troster, Singer & Co.*

Edwin A. Clarke, *Singer, Deane & Scribner;* Richard Watson, *F. S. Moseley & Co.;* Raymond J. Lewis, *Guaranty Trust Company;* William G. Heath, *F. S. Moseley & Co.*



Robert Clark, *Calvin Bullock, Ltd.;* Jack Curran, *Blair & Co. Incorporated;* Fred C. Braun, Jr., *F. S. Moseley & Co.;* Emmons Bryant, *Blair & Co. Incorporated*

John Wasserman, *Asiel & Co.;* William Kaelin; Wallace C. Latour, *Merrill Lynch, Pierce, Fenner & Smith*



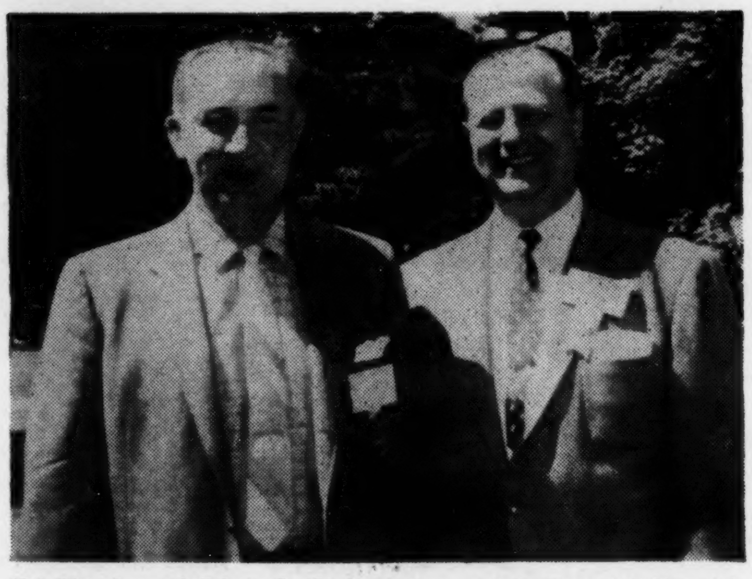
George Nelson, *Gregory & Sons;* Walter V. Kennedy, *Coffin & Burr, Incorporated;* Ira B. MacCulley, *Equitable Securities Corporation;* Mervyn B. Stitzer, *White, Weld & Co.*

34th Annual Field Day

George N. Lindsay, *Swiss American Corporation;* Augustus W. Phelps, *Phelps, Fenn & Co.;* H. Albert Ascher, *Wm. E. Pollock & Co., Inc.*

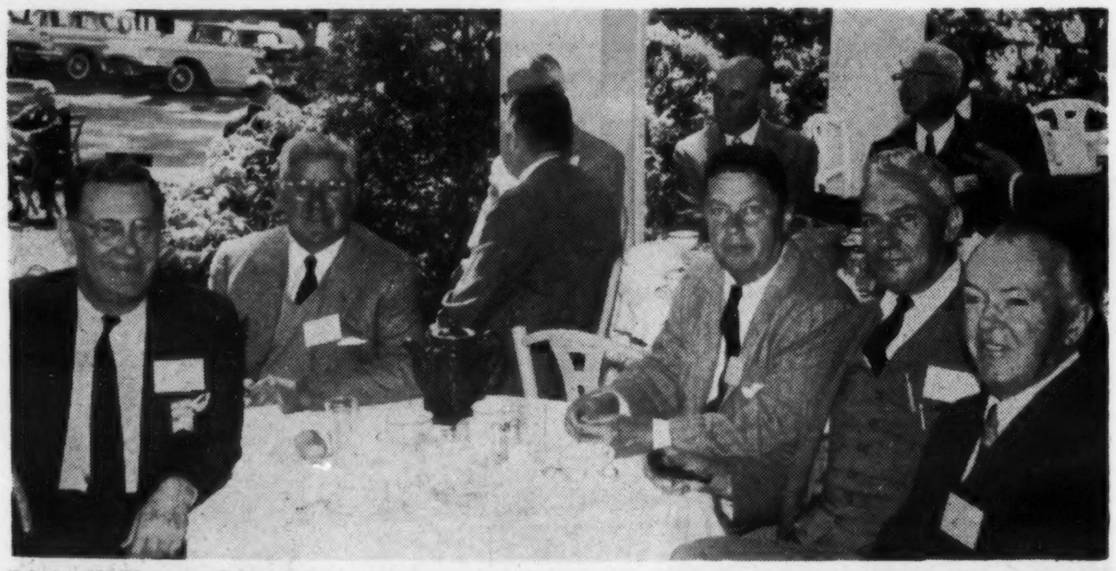
George W. Beaver, *Schoellkopf, Hutton & Pomeroy, Inc.;* George Rutherford, *Dominion Securities Corporation;* Warren W. Ayres, *Dudley F. King*

George R. Waldmann, *Mercantile Trust Company;* Eugene G. Mc-Mahon, *J. Barth & Co.;* Gene Marx, *Bear, Stearns & Co.*

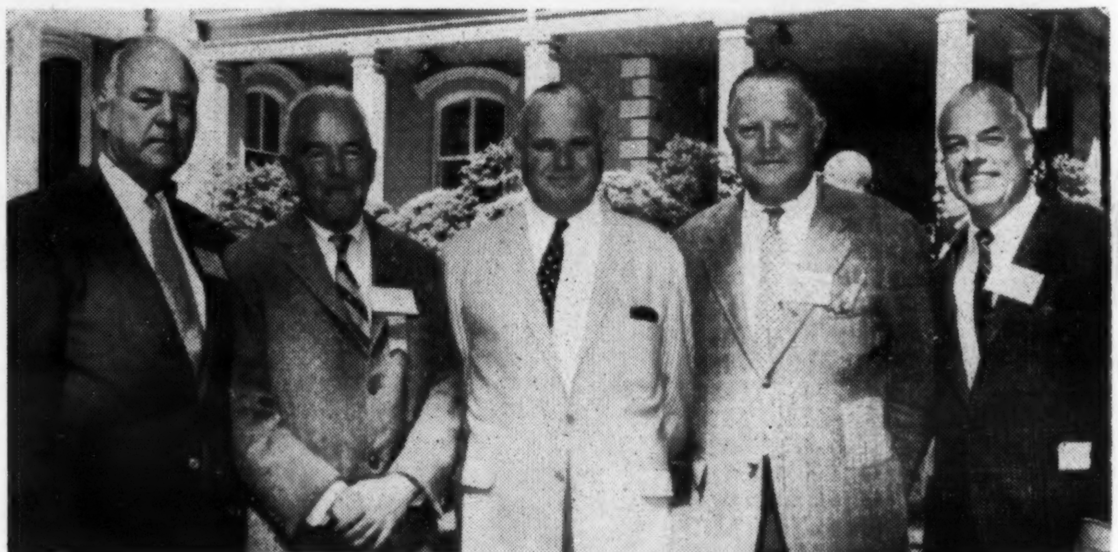


Hal Murphy and Edwin L. Beck, *Commercial & Financial Chronicle*

Joseph Nye, *Nye & Whithead;* Calvin M. Cross, *Hallgarten & Co.;* Austin Brown, *Dean Witter & Co.*



Edwin H. Herzog, *Lazard Freres & Co.;* Caryl H. Sayre, *Merrill Lynch, Pierce, Fenner & Smith;* Eugene M. Geddes, *Clark, Dodge & Co.;* Richard de La Chappelle, *Lee Higginson Corporation;* Lloyd Gilmour, *Eastman Dillon, Union Securities & Co.*



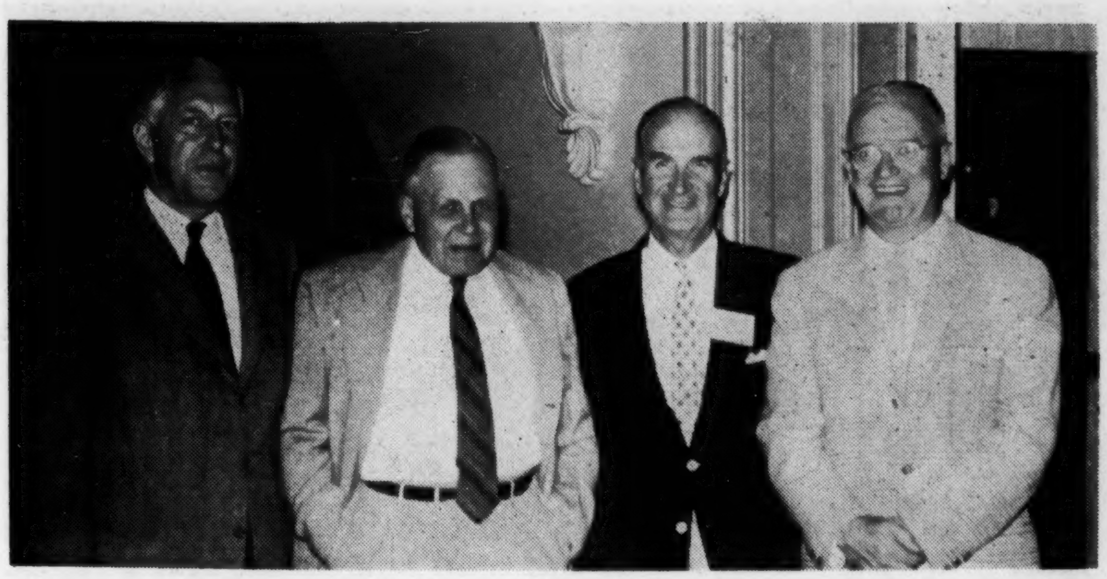
Augustus J. Martin, *United States Trust Company;* William H. Long, Jr., *Doremus & Co.;* Ernest J. Altgelt, Jr., *Harris Trust & Savings Bank;* John J. Clapp, Jr., *R. W. Pressprich & Co.;* Frederic M. McClelland, *Kidder, Peabody & Co.*

H. Lawrence Parker, *Morgan Stanley & Co.;* Andrew G. Curry, *A. E. Ames & Co. Incorporated;* Robert M. Gardiner, *Reynolds & Co.;* John J. Bryan, *Reynolds & Co.*

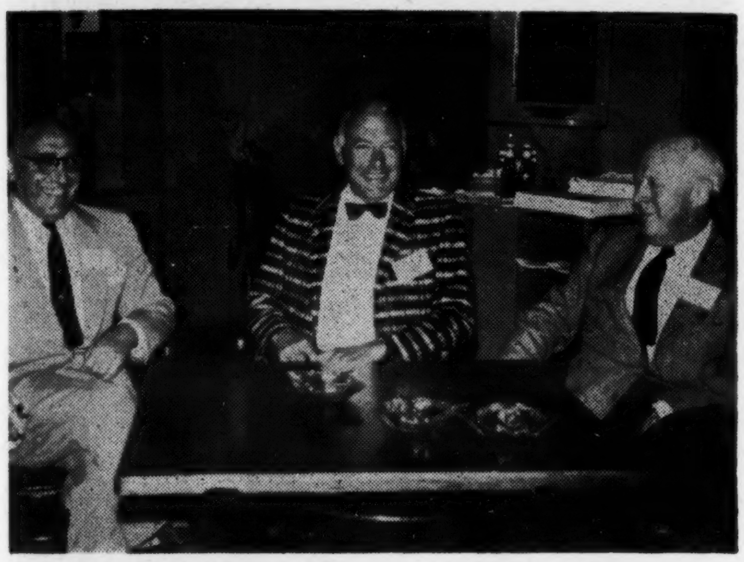
Charles Bishop, *The Hanover Bank;* Stephen Reynolds, *Halsey, Stuart & Co. Inc.;* Evans G. Mcrgan, *The Hanover Bank;* Allan C. Eustis, Jr., *Spencer Trask & Co.*

At Sleepy Hollow Country Club

J. Newton Lawler, *Lawler & Rockwood;* Walter Blaine, *Goldman, Sachs & Co.;* Allen C. du Bois, *Wertheim & Co.;* Albert C. Purkiss, *Walston & Co., Inc.;* Alfred J. Ross, *Dick & Merle-Smith*



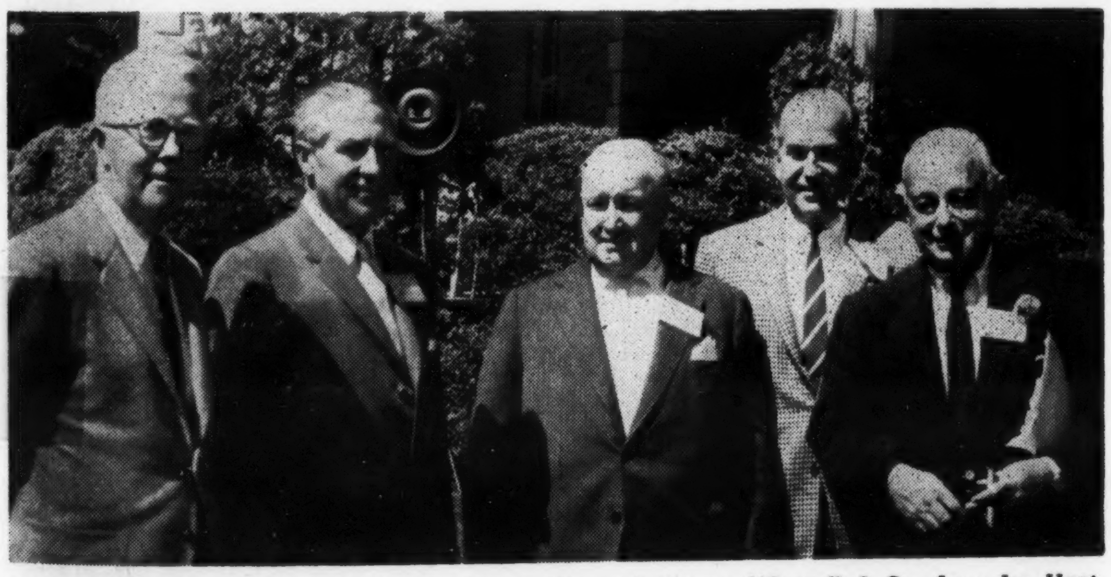
E. F. Dunstan, *Bankers Trust Company;* John Linen, *Chase Manhattan Bank;* Rudolf Smutny, *R. W. Pressprich & Co.;* John French, *A. C. Allyn & Co.*



John Raiss, *Burnham and Company;* Frederick Ehrman, *Lehman Brothers;* Lee M. Limbert, *Blyth & Co., Inc.*

James F. Burns, Jr., *Harris, Upham & Co.;* P. Scott Russell, *Glore, Forgan & Co.;* Donald Stralem, *Hallgarten & Co.*

Salim Lewis, *Bear, Stearns & Co.;* V. Theodore Low, *Bear, Stearns & Co.;* Joseph Nugent, *Mabon & Co.*



George T. Flynn, *Hornblower & Weeks;* Homer O'Connell, *Homer O'Connell & Co., Inc.;* Jan Hunt, *White, Weld & Co.;* Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine;* William Morris, *Salomon Bros. & Hutzler*

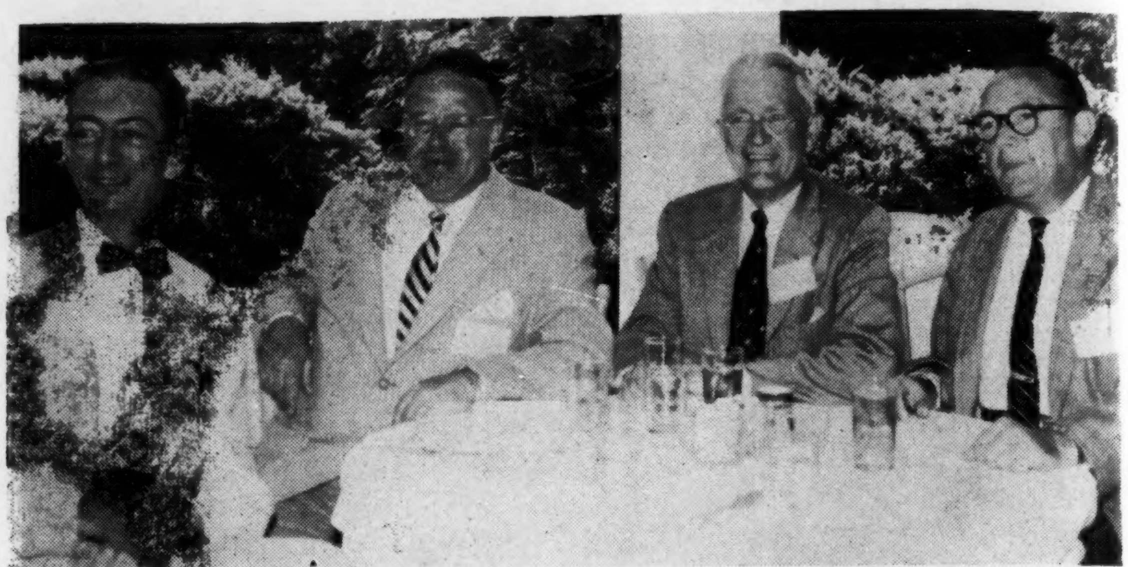
Kenneth A. Kerr, *E. F. Hutton & Company;* John H. Carlson, *Carl M. Loeb, Rhoades & Co.;* Edward B. de Selding, *Spencer Trask & Co.;* Edwin A. Stephenson, *The Chase Manhattan Bank;* Carnot W. Evans, *Clark, Dodge & Co.*

Charles Buek, *United States Trust Company;* Malon S. Andrus, *Malon S. Andrus, Inc.;* Henry Kardos, *Kidder, Peabody & Co.;* J. Raymond Smith, *Weeden & Co.*

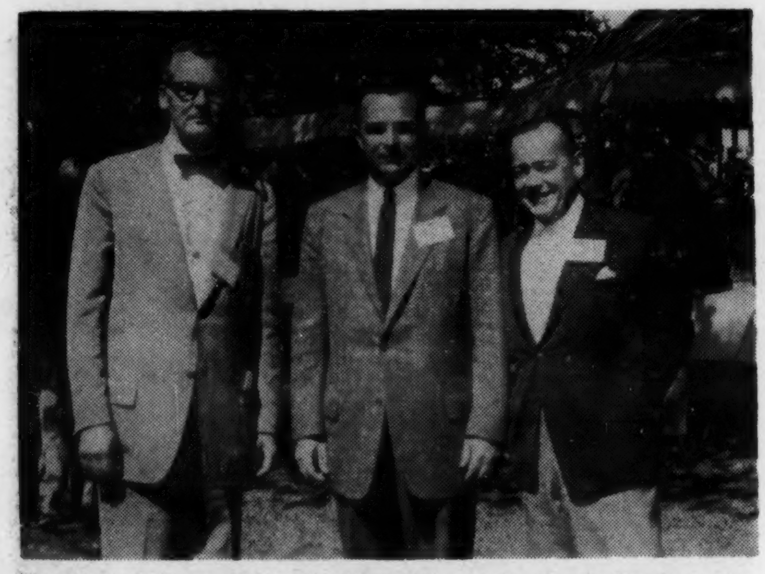
Howard F. Vultee, *Eastman Dillon, Union Securities & Co.;* Norman W. Stewart, *F. S. Smithers & Co.;* Arthur E. Allen, *F. S. Smithers & Co.;* Walker W. Stevenson, Jr., *Hemphill, Noyes & Co.*

Friday, June 6, 1958

Edward T. McCormick, *American Stock Exchange;* Blancke Noyes, *Hemphill, Noyes & Co.;* Orin T. Leach, *Estabrook & Co.;* James F. Burns, *Harris, Upham & Co.*



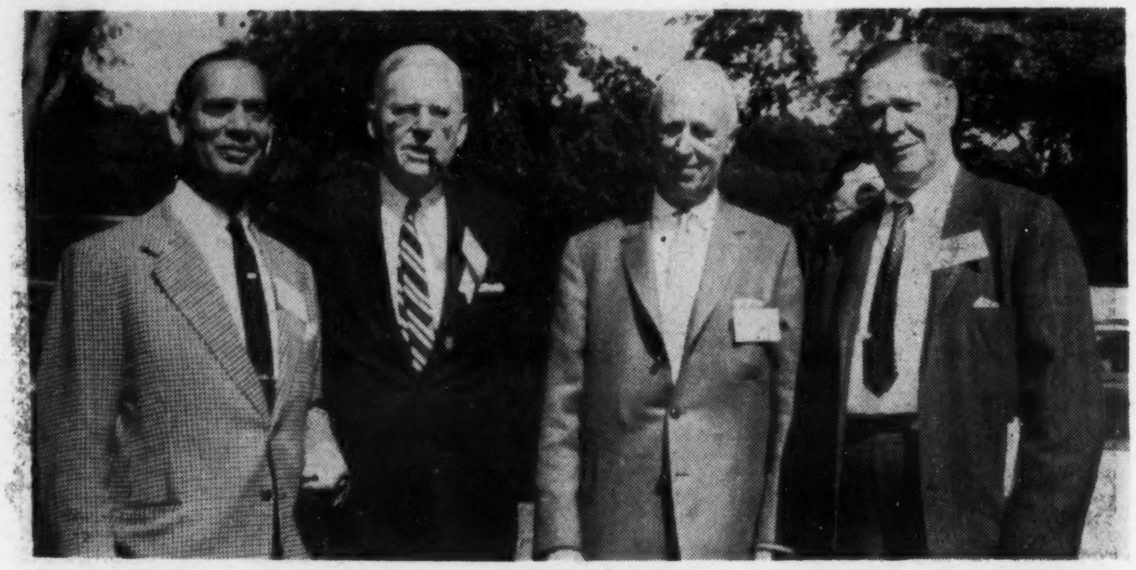
Charles L. Bergmann, *R. W. Pressprich & Co.;* Albert Hager, Jr., *Halsey, Stuart & Co. Inc.;* Dwight Beebe, *Freeman & Company;* James F. Colthup, *Freeman & Company*



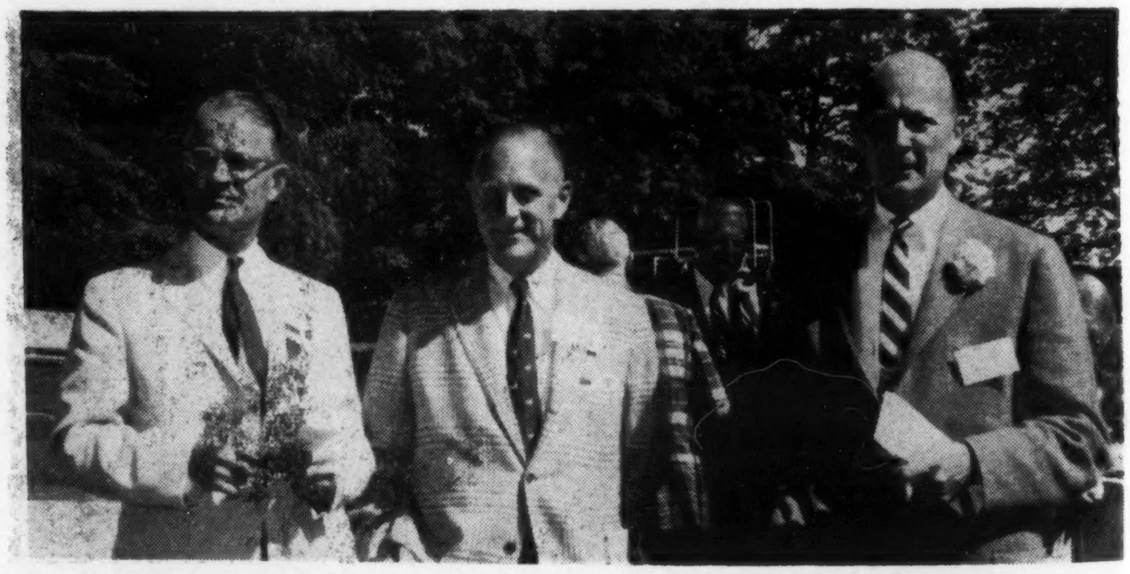
Raymond Stitger, *White, Weld & Co.;* Dick Rand, *Rand & Co.;* Brooke Wynkoop, *Fahnestock & Co.*

Robert F. Seebeck, *Smith, Barney & Co.;* H. Keasbey Bramhall, *Bramhall, Falion & Co., Inc.;* Ralph Hornblower, Jr., *Hornblower & Weeks*

Paul L. Sipp, Jr., *Stern, Lauer & Co.;* Paul L. Sipp, *First of Michigan Corporation;* William M. Cahn, Jr., *Henry Herrman & Co.*



Gustave Levy, *Goldman, Sachs & Co.;* David Lewis, Paine, *Webber, Jackson & Curtis;* Dudley F. King; Hubert Atwater, *Wood, Walker & Co.*

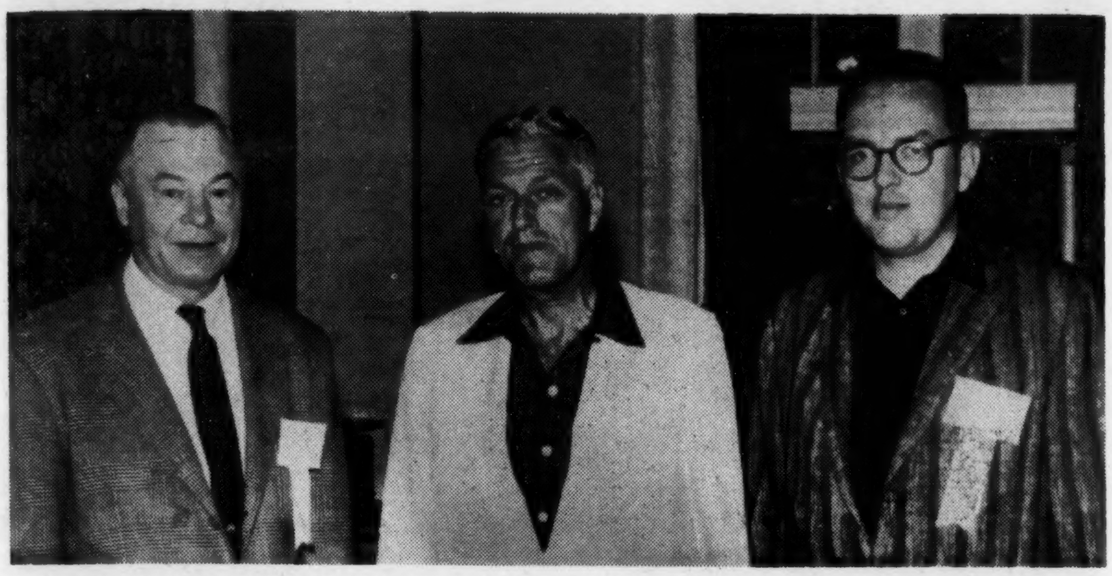


Allen J. Nix, *Riter & Co.;* H. Lawrence Bogert, Jr., *Eastman Dillon, Union Securities & Co.;* Ernest W. Borkland, Jr., *Tucker, Anthony & R. L. Day*

T. Lewton Lawlor, *Lawlor & Rockwood;* Joseph F. Patten, *Bear, Stearns & Co.;* Philip K. Barrow, *Wood, Struthers & Co.*

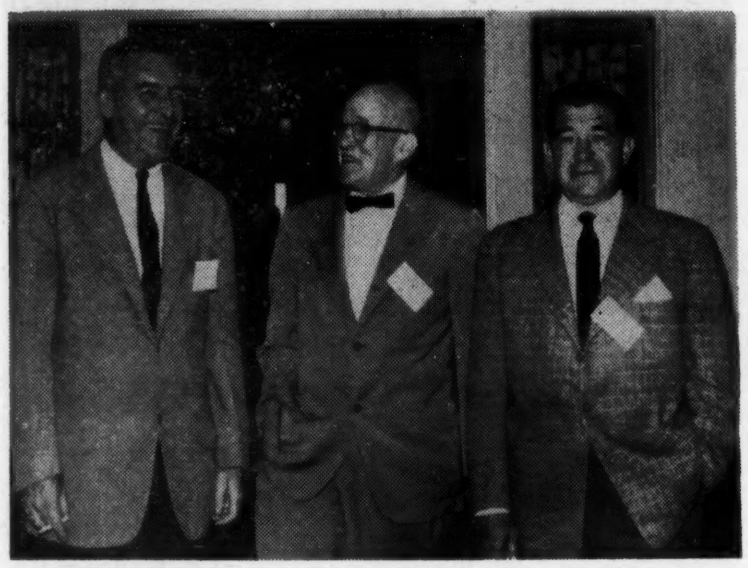
Harold H. Sherburne, *Bacon, Whipple & Co.;* Gordon B. Whelpley, *Joseph Walker & Sons;* James F. Burns, *Blyth & Co., Inc.;* Richard C. Vivian, *First Boston Corporation*

Municipal Bond Club of New York

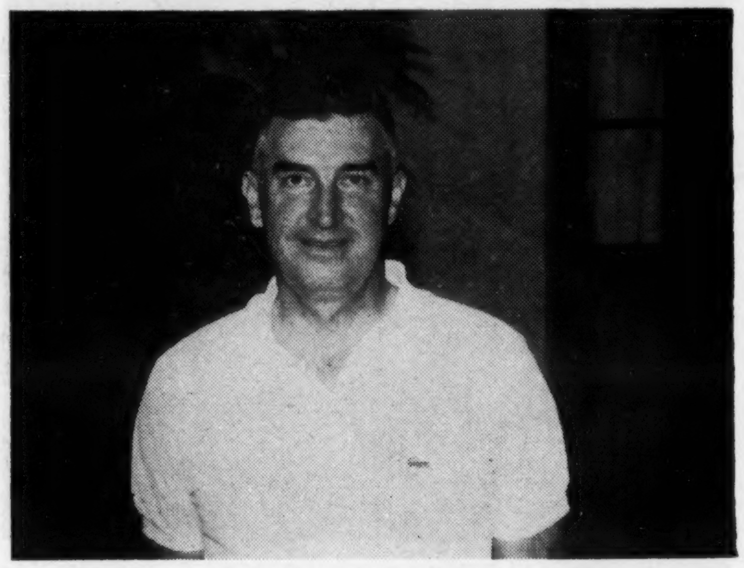


Charles E. Weigold, *Charles E. Weigold & Co., Inc.*, retiring president; Wilbur M. Merritt, *The First Boston Corporation*, incoming president; George W. Hall, *Wm. E. Pollock & Co., Inc.*, general chairman of the outing

A. J. Bianchetti, *J. A. Hogle & Co.*; J. C. Fitterer, Jr., *Wertheim & Co.*; William D. Muller, *Halsey, Stuart & Co., Inc.*; Edward J. Meyers, *Laidlaw & Co.*; E. G. O'Leary, *Eastman Dillon, Union Securities & Co.*



James D. Topping, *J. D. Topping & Co.*; Kenneth Speer, *Rippel & Co.*, Newark, N. J.; Harvey S. Renton, *Freeman & Co.*



W. Neal Fulkerson, *Bankers Trust Company*

Kenneth C. Ebbitt, *Shelby Cullom Davis & Co.*; Russell McInnes, *Wood, King & Dawson*; George J. Thurnher, *Drexel & Co.*

Bill Veazie, *Mabon & Co.*; Stebb Allen, *Chemical Corn Exchange Bank*; John S. Linan, *Chase Manhattan Bank*

Donald Breen, *Glore, Forgan & Co.*; Edmund C. Byrne, *Phelps, Fenn & Co.*; Theodore P. Swick, *White, Weld & Co.*

Henry L. Harris, *Goldman, Sachs & Co.*; Richard H. De Bolt, *Indianapolis Bond & Share Corporation*, Indianapolis, Ind.; D. R. Bonniwell, *Cruttenden, Podesta & Co.*, Chicago

Robert J. Mullens, *J. J. Kenny Co.*; Marsom Pratt, *Estabrook & Co.*, Boston; Ed Kelly, *Dean Witter & Co.*; John Sweeney, *A. C. Allyn & Co.*, New York; Frank B. Sisk, *Salomon Bros. & Hutzler*

Annual Meeting and Outing

Charles F. Kavanagh, *Bacon, Stevenson & Co.;* Malvern Hill, *Malvern Hill & Co.;* R. M. Schmidt, *Blyth & Co., Inc.*

Arthur E. Kirtley, *First Boston Corporation,* Chicago, Ill.; Carnot W. Evans, *Clark, Dodge & Co.;* J. David Everard, *John Nuveen & Co., Inc.,* Chicago

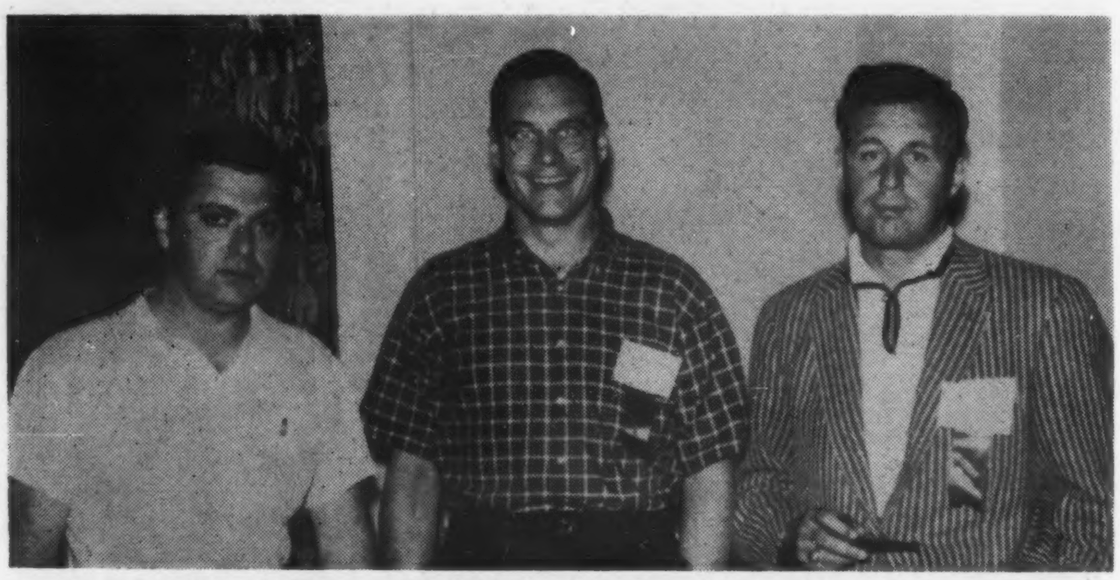
Edwin L. Beck, *Commercial & Financial Chronicle;* William Ferguson, *The Northern Trust Company, New York;* David A. Pincus, *D. A. Pincus & Co.*

August F. Pardey, *The Chase Manhattan Bank;* K. J. Sickler, *The Chase Manhattan Bank;* William Dubendorfer, *The Chase Manhattan Bank*

C. Courtney Keller, *Wertheim & Co.;* George R. Waldmann, *Mercantile Trust Company;* Gene Kelly, *Carl M. Loeb, Rhoades & Co.*

Ed Wrightsman, *Ira Haupt & Co.;* Archibald Galloway, *Vandewater, Sykes, Heckler & Galloway;* Arthur A. Maxwell, *James H. Blackburn & Associates,* New Orleans

John D. Cooper, *Shields & Company;* Homer Locke, *Shields & Company;* Harold A. Walker, *Bankers Trust Company;* Robert G. Gerrish, *G. H. Walker & Co.,* Providence, R. I.



Charles V. Smith, *Clark, Dodge & Co.;* William E. Simon, *Weeden & Co.;* William M. Durkin, *First National Bank of Chicago*

Arthur Mathews, *Dun & Bradstreet;* Bill Skinner, *Coffin & Burr, Incorporated;* Robert C. Mathews, *Trust Company of Georgia,* Atlanta, Ga.; Bill McKay, *The Blue List Publishing Co.*

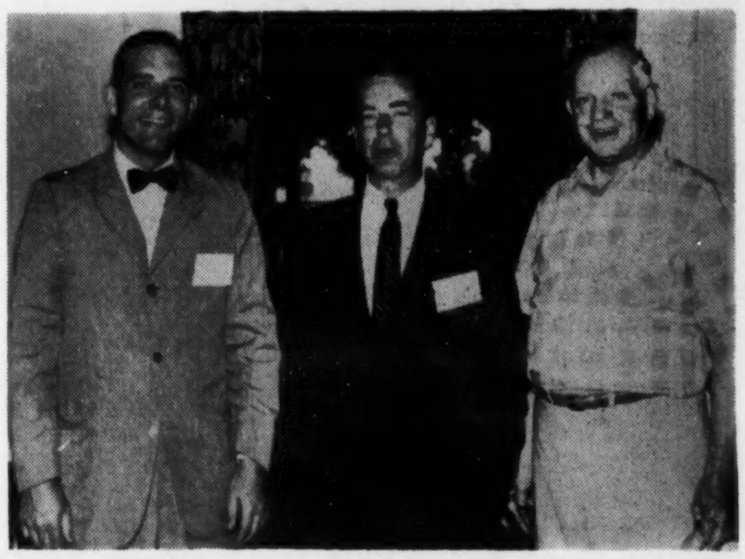
Friday, June 13, 1958

Richard I. C. Hess, *Blyth & Co., Inc.*; Eugene A. Mintkeski, *Port of New York Authority*; Prentice Talmage, *Tucker, Anthony & R. L. Day*; Warren Oltmanns, *Charles E. Weigold & Co.*; William R. Torgersen, *Charles E. Weigold & Co.*

Dick Murphy, *B. J. Van Ingen & Co., Inc.*; James F. Reilly, *Goodbody & Co.*; Fred W. Reichard, *B. J. Van Ingen & Co., Inc.*; Elmer C. Eaton, Jr., *Paine, Webber, Jackson & Curtis*, Boston; Paul Stephens, *Paine, Webber, Jackson & Curtis*, Chicago

Alfred S. Knapp, *Janney, Dulles & Battles, Inc.*, Philadelphia; William T. Poole, *Poole & Co.*, Philadelphia; *Leighton* McIlvaine, *Goldman, Sachs & Co.*, Philadelphia

William B. Travers, *Francis I. du Pont & Co.*; Carlton Chambers, *F. Brittain Kennedy & Co.*, Boston; Frank R. Cole, *F. R. Cole & Co.*, Newark, N. J.



C. S. Garland, Jr., *Alex. Brown & Sons*, Baltimore, Md.; Henry G. Pentz, *Alex. Brown & Sons*, Baltimore, Md.; Edward H. Robinson, *Schwabacher & Co.*, New York

Andrew Dott, *Malon S. Andrus, Inc.*; Harold J. Kennedy, *E. F. Hutton & Company*; James J. Hitz, *B. J. Van Ingen & Co., Inc.*

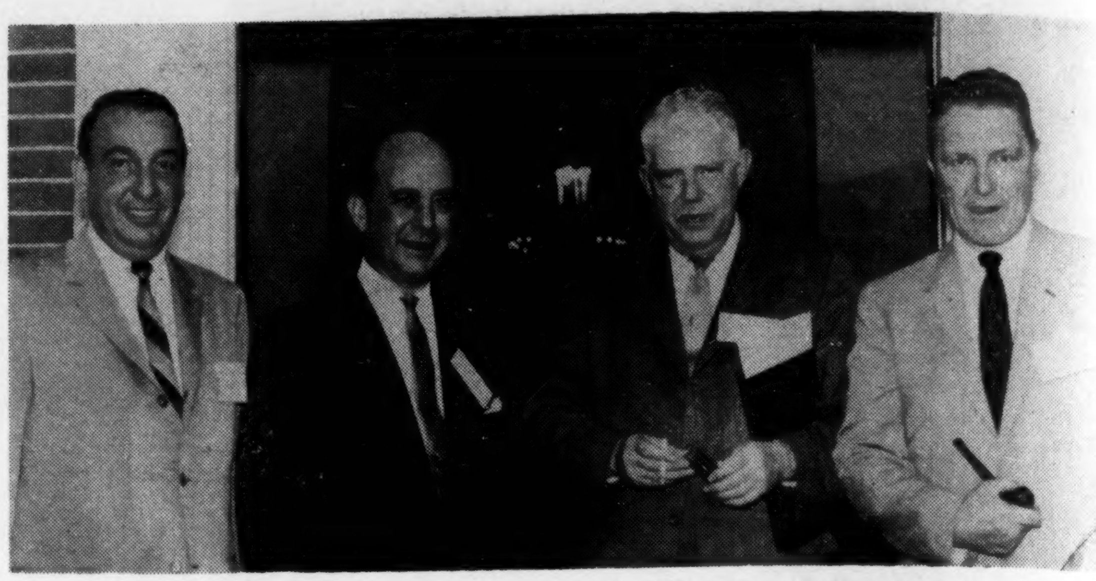
L. R. Sullivan, *Fitzpatrick, Sullivan & Co.*; Joseph S. Banks, *Blyth & Co., Inc.*; James Edward Falion, *Bramhall, Falion & Co., Inc.*; Karl J. Panke, *Lehman Brothers*; Russell A. Haff, *Joseph, Mellen & Miller*

Ludwell A. Strader, *Strader & Co.*, Lynchburg, Va.; Byron Sayre, *Ira Haupt & Co.*, Chicago; Harry M. Peiser, *Ira Haupt & Co., New York*

Andrew D. Buchan, *Bacon, Whipple & Co.*, Chicago; Jerome J. Burke, *Blyth & Co., Inc.*; James G. Brophy, *Blyth & Co., Inc.*, Chicago

At Westchester Country Club, Rye, N. Y.

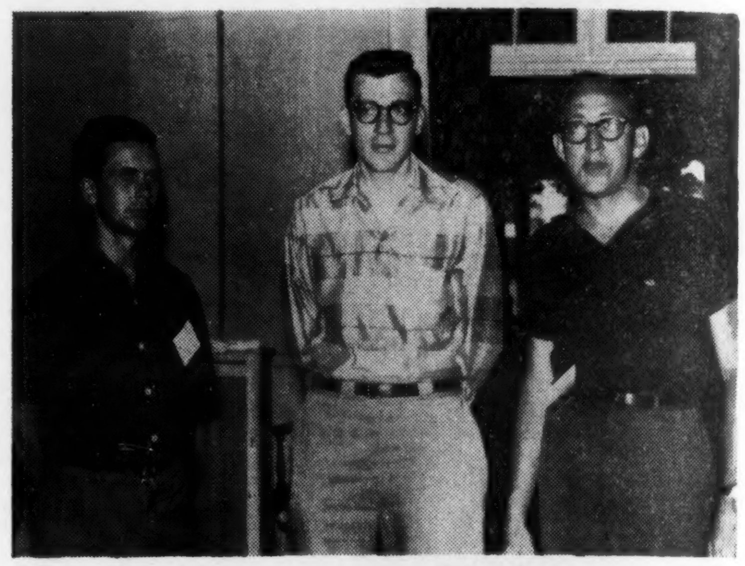
Frank L. Lucke, *Laidlaw & Co.;* Elwood S. Robinson, *Penington, Colket & Co.*, Philadelphia; Simon E. Flaherty, *Barr Brothers & Co.;* Thomas F. McEntee, *Adams, McEntee & Co.*



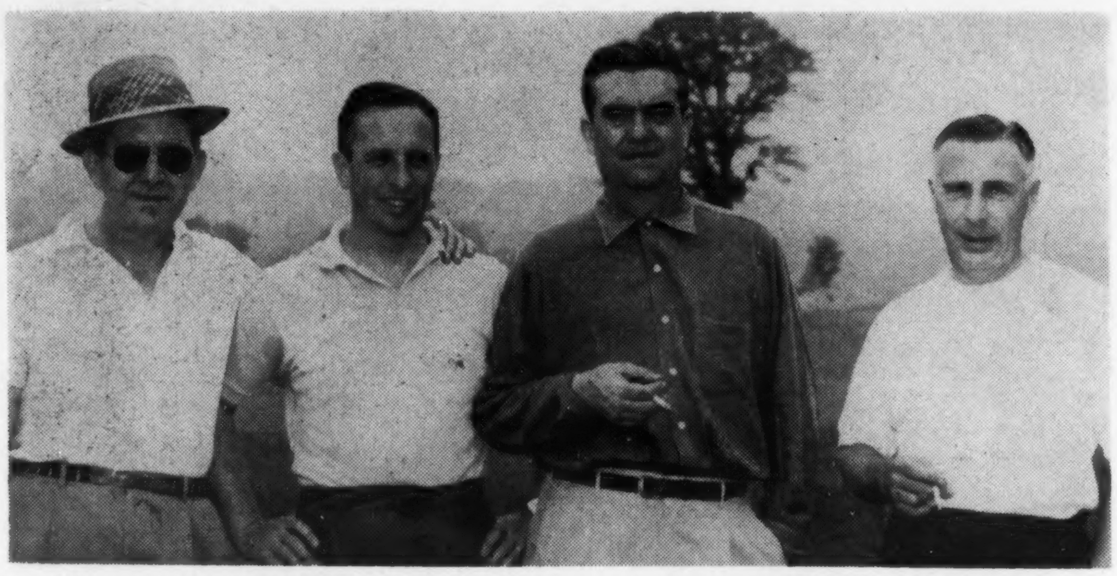
F. M. Ponicall, Jr., *Singer, Deane & Scribner*, Pittsburgh, Pa.; William P. King, *King, Quirk & Co.;* Harry Downs, *Harry Downs & Co.;* Ed Warren, *J. P. Morgan & Co.*

Milton Halpern, *Rauscher, Pierce & Co., Inc.*, San Antonio, Texas; Morris A. Dudley, *Rauscher, Pierce & Co., Inc.*, Dallas

Charles J. Martin, *Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.;* Washington, D. C.; Arthur Friend, *Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.;* Washington, D. C.; Edwin A. Riehle, *Barr Brothers & Co.*



Bernard Van Ingen, *B. J. Van Ingen & Co., Inc.;* Robert A. Boytano, *Glore, Forgan & Co.;* William H. Thorpe, *Drexel & Co.*



Walter E. Morse, *Lehman Brothers;* Joe Vandernoot, *R. W. Pressprich & Co.;* W. T. Burnett, *Kean, Taylor & Co.;* John F. Hornbostel, *Hornbostel & Co.*

James J. Ryan, *Park, Ryan, Inc.;* James E. Klingel, *Juran & Moody*, St. Paul, Minn.; Arthur F. Tubridy, *Herbert J. Sims & Co.*

Edwin P. Sunderland, *John C. Legg & Company*, Baltimore; Thomas A. Lankford, *Union Trust Company of Maryland*, Baltimore; George Kiener and his orchestra (Pat Marro and Al Stecher)

R. Schlichting, *Kidder, Peabody & Co.;* Russell W. Schaffer, *Schaffer, Necker & Co.*, Philadelphia; K. R. Petroski, *Drake & Co.*

Continued from page 25

The Countdown to Oblivion

been getting our story over to the ladies? Because we've forgotten—as we too often do in our personal lives—that you can't make effective love to a gal with cold statistics and logic. We men ought to know by now that women are far more reachable through an emotional approach that talks to their hearts as well as to their keen minds. Now that the figures have reminded us of that fact, ECAP has added two women's magazines to the schedule and are embarked on a warmer copy approach. But it will take a lot more than two magazines to tell our story effectively to this women's audience that counts so much. Such an approach will not be popular with those of us in management and our directorates. But until we stop writing copy for ourselves and start talking the people's language, we'll never get a really big audience for our messages.

I cannot leave ECAP without complimenting the great job ECAP does in building a broad foundation of public education about America's business-managed power companies. The proof of the pudding that the campaign is doing a lot of good is attested by the constant chorus of innuendo from our detractors and their frenetic efforts to have ECAP expenditures disallowed tax-wise.

There is no question in my mind "Why ECAP?"—only "Why not more ECAP?"

Our story can be told plainly. But the fact is, we in the industry just can't stand to keep it plain. Whether we admit it or not, too many of us are the victims of wishful thinking. The average management man prides himself on being a "hard-headed realist." Yet the election returns themselves should prove that he is not nearly so hard-headed or realistic as the American farmer, labor unionist or politician. He isn't in touch with the people because he has too little contact with grass roots.

In our industry there is still too much reliance upon "management intuition"—instead of recognizing that a public relations problem may be just as tough as an engineering, production, financing or sales problem. And it needs the same careful analysis, research, planning and decisive action.

Yes, we must recognize and utilize the expertness of the "PR man." Successful public relations work depends to a large extent on how management uses its "PR men." Are they merely editorial supervisors of advertising copy and publicity material, making sure that clever and careful language is used? Are they only abject flunkies to alibi any kind of a policy which management decides to carry out, regardless of public opinion? Are they just nice, congenial hand-shaking and back-slapping machines who make a lot of friends but do not influence many people? If your PR man does not prove his mettle, then fire him and find a fellow who warrants your confidence. But when you do find him, in heaven's name give him authority equal to his responsibility. PR men can do their best job when they are consulted by management before and not after "the hour of decision." We must call them in on the take-off and not just for the crash landing!

Public relations is a broad and comprehensive field and a true expert must have a sound, practical knowledge of the human equation. But once he has proved his expertness, his advice ought to be heeded instead of being side-tracked for the horseback opinion of the engineers, lawyers and auditors—each of whom may possess top-flight competency in his own field, without necessarily knowing a thing about public relations. And, of course, the hardest to cope with is the senior executive who comes in with alleged "public reaction" to an add—based on a one-wife-survey.

Instead of publicity having to clear legal departments, to avoid possible liability for some fanciful damage suit, maybe we should consider making some of our legal activities clear with public relations to avoid the loss of millions of dollars in good will. Too often we win a legal skirmish but ultimately lose the more vital public opinion battle. I know of a utility which slapped a $500 damage suit against the estate of a popular former football star who was killed when his car hit a power pole. He left a widow and two young sons. The law department of that company was surprised when the local newspaper editorialized vociferously against the utility.

Now let's look at the PR angle to a topic about which we do an awful lot of hollering—the tax question.

Tax Angle Is a Dud—Stressed

There is no evidence anywhere that the tax differential ever has impressed a single customer not otherwise influenced.

This is as true as the notes of liberty's bell, despite the millions we've spent telling the public that we pay taxes by the billions of dollars and public power agencies pay none.

Why is the argument a dud? Because everything we say on the subject sounds as if we're either complaining or bragging—or both. What is the reaction of the consumer?

He says, "What's so noble about paying taxes? I pay mine, too—plenty. I'd like to see somebody get *out* of paying taxes."

Unpatriotic? No. Just plain human nature. The public is not going to love us just because we pay taxes. And they're not going to refuse to accept service from a public agency at mighty attractive rates just because the PUD, or whatever it is, doesn't pay taxes. To expect any other result would ignore the natural laws of human psychology.

Plainly, the tax war must be fought in the halls or our legislative councils — Federal, State and local.

There is no need for me to belabor you with statistics. We all know the issue between Capitalism and Socialism. We know who our enemies are and we have no difficulty penetrating the disguises behind which they masquerade. We know their goal is to remake our nation in the monstrous image of the all-powerful Socialist state.

In concluding I suggest an example not too far removed from old Daniel Webster and his bout with the Devil. I have in mind the success of the Reverend Billy Graham, who now is packing people into San Francisco's Cow Palace as he has filled arenas elsewhere. It is no credit to our Western Baghdad - by - the - Bay that he says he found sin more rampant there than almost any place else in America I know. But that fact makes all the more pertinent my point that Billy Graham doesn't waste his time talking just to the believers. As a missionary, he works primarily among the non-believers and those who have strayed from the fold.

Take a Lesson From Billy Graham

We in the industrial public relations field talk a lot and say a lot. We are missionaries, too. But too often we say our piece only in our own temples. We can take a lesson from Billy Graham in speaking out bluntly and courageously—and in a voice the people understand and will believe. We must carry our brand of American evangelism to the non-believers, too. Sure, it's harder to talke to an audience not already disposed our way. But the obligation is great and the stakes are greater.

I am a lifetime student of political science and a proud spokesman for Capitalism. As much as this thing we call public relations has been may daily work in our industry, the investigation and exposure of the cancerous conspiracy of Socialist Collectivism also has been my life's vocation. My first-hand probing of the global struggle for the mind of man, that is waged continually between the forces of freedom and those of tyranny, has taken me to many corners of the earth and on both sides of the Iron Curtain. It would have been tempting this morning to have deluged you with statistics, to have drowned you in rafter-shaking reverberations of sound. Yes, the roast I might have cooked could have been more prettily garnished and spiced to be more palatable—but it would have been the same meat you and I have digested many times.

I have spoken as an electric utilities public relations man. I choose rather to plead simply that we have a duty to the American economic system as well as to our own industry. We can't afford to waste any more time in halting the countdown to our own oblivion.

LET'S GO HOME, TAKE OFF OUR COATS, ROLL UP OUR SLEEVES, AND FIGHT BACK!

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Dempsey-Tegeler & Co., 210 West Seventh Street, have added to their staff Dorothea Amrhein, Ora M. Bush, Roger A. Clark, Frank F. Doolittle, Helen B. Edsall, Thomas H. Hazzard, Jr., Sherry L. Norris, Alexander C. Peppin, Lauretta F. Savory and Patrick C. Scull. All were previously with Waddell & Reed, Inc.

Continued from first page

Obligations and Challenges To Electric Utility Industry

this discussion of our industry's progress as being in the nature of a report to the American people on how we of the electric companies are meeting our obligations and facing our challenges.

First of all, we have to make clear why our industry sees tomorrow as one of the most essential responsibilities of today.

Electricity cannot be stockpiled for the future—it has to be right there on tap at the instant new demands for it are made. So looking at tomorrow and appraising it has become a highly developed art in the electric companies. Another factor in developing future electricity supply is the length of time it takes to construct the huge generators and other complex equipment going into a power plant. From the planning stage to operating plant may be a matter of three years and more.

Electric service is unusual in that companies in the business cannot shift into another line of work or move to another area, if they do not like the way things are going for their operation. You cannot move miles of transmission lines, tremendous generating plants and all of the expensive equipment going into electric service from one part of the nation to another because you may not care for developments in your present territory.

This fact of being married permanently to one basic line of work in a single area makes for a strong sense of responsibility on the part of electric companies. This is not so much a virtue of our characters as companies and individuals. It is rather the clear recognition that, for better or for worse, we can do only as well as the communities we serve. And, when this sense is multiplied in electric service areas across the nation, it means that the electric companies as an industry are a responsible and potent force for progress for the entire United States.

So, when we say that we will continue to be ready, willing and able to supply all the power requirements of the nation, we are not bragging. We simply state a fact of life for this industry — one which we have proved to be true time after time in the past.

Day after day, electricity becomes increasingly important to our rising standards of living, whether it is in a modern, all-electric kitchen, or on an electronically controlled production line. And electricity becomes increasingly vital to our national defense, whether in the production of bombers and missiles, or in the fantastically complex systems of computers, radars, and weapons which are constantly on the alert to counter any attack against us.

An indication both of the tremendous rise in the importance of electricity in the progress and protection of our civilization and of how well our industry is prepared to meet any demands on it is shown by a comparison of loads and generating capabilities over the last four decades—a period which includes times of great national crisis.

We have emblazoned in our memories words of appreciation spoken by those with heavy responsibility for the fate of the nation. Dwight D. Eisenhower, when he was U. S. Army Chief of Staff, said, "American electric power was one of victory's weapons in World War II. Emergency demands, great in volume and complexity, were met fully and promptly by the American utility industry." J. A. Krug, Director of the Office of War Utilities, said, "Power has never been too little or too late." And the Navy's Admiral W. R. Monroe, said, "When we called for power we got power and not—Thank God—alibis."

The ability to produce electric power to meet the nation's needs is not something created on a crash basis, which expands and contracts with changes of temperature in the cold war or with economic fluctuations. It is based on the sum total of what we see as necessary to serve well all the communities of which we are a part, and which make up the larger community — the United States.

An electric company knows its service area intimately—it has to. Typically, it knows of any large new industry coming into its territory, and may even have helped to bring it in as part of an area development program. In a completely different field, that of home use, the company will have charted growth for years into the future, taking into account such factors as the rise in air conditioning.

In yet another field, company personnel will be working on civic improvement projects to help make the communities receiving its service more prosperous and better places in which to live and work. All these and many other considerations will be reckoned into the calculations of what electrical needs will be in the years ahead.

When you forecast the future and help it along on a firsthand practical day-by-day basis like this, you are not theorizing or hoping. You have a pretty good idea of what that future will be —and you can develop a solid foundation for sound action.

One of the most important mediums for putting together information and data from every part of the industry is the Edison Electric Institute. And, through a variety of programs and projects, the Institute helps its member companies put the experience and abilities of others to work for the advancement of electric service everywhere, to the over-all benefit of the public.

Praises EEI and Its Committees

This has been and is being done successfully through the unselfish cooperation of the individual electric companies. And, on the part of some 1,800 EEI committee members, it means the devotion of a great deal of time and effort away from their own company assignment and duties. As members of 60 committees, these committeemen contribute their specialized knowledge and understanding to a wide range of subjects in the accounting, commercial, engineering and operating fields, as well as to many other matters of high importance to the industry's progress.

I cannot review the work of each of the EEI committees. They *are* the Institute; and they merit our sincerest congratulations and appreciation.

Basic to the Institute's effectiveness in serving the industry and the public is the widespread nature of its membership. Member companies serve about 96% of all customers of the investor-owned electric utility industry in the United States.

A membership development of more than national significance has come about through the admission to EEI as affiliate members of electric companies from 15 countries of Latin America and the Caribbean. May I say we are delighted with the opportunity this presents to work more closely in sharing the benefits of EEI activities with our neighbors and friends to the south. At a later Convention session, we will hear from one of the leaders of the electric industry in Latin America.

I would like to mention another Institute development. At the end of April, the general office of the Institute was moved to a new 34-story building, 750 Third Avenue, in New York City.

This is EEI's first relocation since its organization in 1933. For 25 years it occupied quarters in the Graybar building at 420 Lexington Avenue, expanding until its activities took parts of three floors. In the new building, all of the staff functions are on one floor—the sixteenth—making possible more economic and efficient administration.

The staff of the Institute now numbers some 90 men and women whose basic mission it is to provide the services required by the EEI committees to facilitate their work.

One of the task the Institute has undertaken for this industry report is the development of a forecast for the year 1979, which will be the 100th Anniversary of Edison's invention of the first practical incandescent electric light. Months of study and careful evaluation have gone into this examination of the future, and the results may be surprising, even to people as accustomed as we are to studying the prospects of the years ahead.

Before we look 21 years hence, it will be well to check our perspective by recalling briefly some of the accomplishments of the recent past. These provide both the "launching pad" and the impetus for our future progress.

Accomplishments of Recent Years

In just seven years, or about one-third of the forecast period, the entire electric industry has nearly doubled its sales, from 281 billion kilowatthours in 1950 to 558 billion last year. During the same seven-year span, generating capability has almost doubled, from the 1950 figure of 71 million kilowatts to the 1957 total of 135 million kilowatts. And the investment by the electric companies alone in electric plant and equipment has risen nearly twofold from about $19 billion in 1950 to $36.5 billion at the end of last year. This is truly a remarkable record.

Quite frankly, our industry has always been conservative in predicting the magnitude of its future. Before developing the forecast for 1979, EEI compared about a dozen published forecasts made by various authorities in the past with actual performance by the industry. Without going into detail, let us see what happened in some of these instances in just one category—kilowatthour sales.

An electrical manufacture and EEI both forecast 10 years ago that annual electric industry sales would reach about 370 billion kilowatthours in 1957. They were about one-third below the actual figure. Another manufacturer and a leading electric industry trade publication two years later predicted 1957 sales to be 435 billion kilowatthours—and were low by more than 20%. Predictions made within the last three to five years fell short of the actual 1957 performance by from 5 to 14%.

This may indicate why seers in any activity should be modest men, disclaiming infallability. It also indicates why the electric industry, in its expansion plans, takes great care to provide the means of meeting needs beyond those which may be predicted.

Record Year for 1958

Certainly our plans for adding new generating capacity this year show we have no fear that the future will not be at least as remarkable as the past. 1958 will be a record year for new construction in the power business, with the installation of some 15¾ million kilowatts.

This exceeds the previous high record set in 1955 by more than three million kilowatts and is about equal to the total net installations of the 10 years between 1936 and 1946.

To accomplish their part of this year's construction, by far the greatest proportion of the industry total, the electric companies have budgeted about $4 billion.

During the last 10 years, the electric companies have averaged about $2½ billion annually for new construction. The figure for 1957 was $3.7 billion.

Our construction program is being carried out with full awareness of the current economic situation. It is dramatic proof of the faith and confidence we have in the basic soundness of the economy and its great potential. Further, because the electric companies represent such a significant influence in the stability and growth of the entire economy, we feel a responsibility to do what we can in stimulating an upward trend.

In looking to 1979, we view the current situation as a breathing spell. In the past, readjustments like this one have been followed by greater gains in the economy than before.

So one of the bases of our forecast is the conviction that the economy will continue to grow. We also assume that no shooting war will occur. Basic, too, is our belief that the American people will continue along the road of individual initiative and will not adopt the tenets of socialism as major ground-rules for the operation of their government.

But we assume that the pattern of government activity as it affects the economy will move along the lines already established. We expect that government spending will proceed at about the present rate, that tax structure will show no significant alteration, and that fluctuation of interest rates will be experienced as in the past. And that there will be further inflation.

Projects GNP in 1979

In making our forecasts, we made use of a number of guidelines in the economy which bear a relationship to our industry. Predictions of the Gross National Product, for example, are helpful to use in getting information on future kilowatthour sales. By 1979, we estimate that GNP will reach about $1 trillion in 1957 dollars, about 2½ times last year's total. If the present rate of inflation continues, the current dollar figure would be $1.7 trillion in 1979.

The $700 billion is attributable to inflation.

Population trends and the formation of households are also factors which are helpful in predicting power output and other data.

Population forecasts have always produced rather accurate results, so these are particularly useful in checking our own predictions. Population is expected to be about 250 million in 1979, nearly half again the population of last year. And households will total more than 82 million, including an increase of two-thirds over 1957.

Before taking up the forecasts

for the electric industry, I would like to comment briefly on our trending process.

When data for any given factor are plotted on a chart, two basic types of line can result.

The first is the straight-line type of relationship, or arithmetic curve. The second is the exponential relationship, depicting a constant percentage of increase. This is the kind of curve characteristic of many phases of electric industry performance. But in dealing with a curve that rises at a fixed rate of increase, we run into problems. It is difficult to predict its future course because of the constantly changing slope. The task is much easier when we are dealing with a straight line.

Let us assume that points of past performance have been plotted on graph paper having equal disances on both the vertical and horozontal scales, and that these points reveal a constantly rising curve. We can then plot the points on semi-log graph paper in order to express that curve as a straight line. This facilitates the projection of past trends into the future and makes it easier to see what may be expected in the years ahead. We are using charts drawn on semi-log paper, which is characterized by constantly decreasing spaces on the vertical scale.

The theory behind forecasting is that if we have enough past information about a particular factor, and if we can make reasonable assumptions about the future, then these two sets of data can be used as a guide to what is likely to happen in the future.

For the electric industry, we trended the record from 1933 to the present and projected it to 1979. The results correlate remarkably well with the indices of other factors in the economy.

In the Centennial year of Edison's electric light, then, we see annual sales for the industry of about three trillion kilowatt-hours.

This is over five times the sales for last year. To reach this figure, an annual rate of growth of about 8% is estimated, with a doubling of sales every nine years. Startling as that three trillion figure may seem to be, it may even be conservative in view of past performance and what can be foreseen. Remember, we have consistently undershot in the past, not through objective use of statistics, but primarily because the indicated growth seemed so hard to believe at the time.

You may be interested in the inset on the chart. It shows how the kilowatthour sales projection would appear when plotted on arithmetic paper.

Now, what is the magnitude of the electric plant which will produce those three trillion kilowatt-hours?

By 1979, it will be 665 million kilowatts—nearly five times what it was at the end of last year. Peak load is expected to reach 578 million kilowatts—more than five times the 1957 peak. A reserve margin of 15% over demand is included in the capability projection.

In predicting sales, capability and demand, we have assumed a load factor of 66.6%, approximately the present average for the nation. There are many variables which enter into the load factor picture, including increasing summer load and a growing trend toward selling electric heating and other applications to keep summer and winter peaks in balance. We believe that the sales and promotion abilities of the companies will be exercised imaginatively and efficiently during the years ahead, with the result that load factor will continue at about today's level.

Of the 665 million kilowatts predicted for 1979, about 500 million, or better than 75% will be in plants of the investor-owned electric companies. What will this mean in terms of money invested?

In terms of the dollars expected to be current in 1979, taking inflation into account, electric company plant investment will be about $221 billion — nearly six times the $36½ billion at the end of last year.

If we take this investment on the basis of 1957 constant dollars, it would be about $174 billion. You can see what the inflationary trend in the economy is likely to mean in electric plant investment —something over $40 billion in 22 years.

However, if we examine this investment in terms of cost per kilowatt of capacity, it becomes apparent that the rise is much less rapid than the inflationary trend.

The Handy-Whitman index line indicates the over-all cost of construction in the electric utility field. In it are the factors of higher labor and materials expenses. But, because we have been able to maintain a remarkable record of advances in the design and construction of new plant and equipment, particularly in the use of larger and larger generating units, the utilities, with the fine work of the manufacturers, have been able to keep the really important figure—cost per installed kilowatt — from moving up at anywhere near the rate shown by over-all construction costs.

During 1957, the cost per installed kilowatt for all electric plant, including generation, transmission and distribution facilities, was about $375 for the investor-owned companies. We believe that it will rise slowly in terms of current dollars, but at a far lower rate than the general inflationary trend.

A pair of dollar figures of great interest are electric revenues of the companies and the taxes they pay.

Projecting revenues on a long-term basis shows that by 1979 they should be about $50 billion annually, over six times the 1957 record of $8 billion. It is estimated that these revenues will produce the return on investment needed to assure a continuing flow of capital for the expansion of electric supply facilities.

If the presen rates of taxation continue, the amount of taxes paid annually by electric companies to local, state and Federal governments will reach an estimated total of nearly $12 billion in 1979, six times last year's figure of about $1.9 billion.

Our forecast for Light's Centennial is significant in a number of ways, not only for our industry but for the nation as a whole.

In the dry figures presented here are the flesh-and-blood of exciting accomplishments to come. These forecasts present an exhilarating prospect. This is the kind of big job that is the glory of the American free enterprise system, the kind of achievement no other system has been able to approach, and which, in fact, has brought leadership to America beyond that of any nation in world history.

Who, then, can be daunted by what we see ahead? Only those of little faith, only those who have always mistrusted the American system, only those who are incapable of understanding it.

For our own sake as a nation, as well as for those elsewhere in the world who may believe in us as a matter of principle, but who have little first-hand knowledge of America, we should be extremely careful about crying "poor mouth" about our capabilities.

False modesty or actual misrepresentation of what we can do can seriously mislead others in the world who look to us for leadership, with potentialy disastrous consequences.

Comparison With Soviet Union

We should not be afraid of realistic optimism, in the electric industry, or anywhere else in America, in the careful evaluation of our future.

The Russians seem determined to challenge this country's leadership. In any field in which they conclude their comparative strength offers a possibility of success, we can, I think, expect aggressive action to implement the challenge. In weapons, science and economics the Russians are showing great energy and will undoubtedly make some progress. Recently, they have been making a particular drive in the field of industrial production, commerce and world trade. In this category we have a big lead — both in standard of living and over-all productive capacity. In fact, we are probably as much as 20 years ahead. If we can maintain the qualities and products which have given us this wide margin of leadership, it is perfectly obvious we are capable of keeping our position.

In just one important area which has high significance both in personal standards of living and in over-all economic progress, Russia is 21 years behind.

Russia's kilowatthour production per capita was 1,044 in 1957, slightly below the 1936 per capita figure for the United States, and only about one-quarter of the 4,223 kilowatthours for every American last year.

No one doubts that the Russians are determined people. It is clear that they are trained to a lower standard of living and that their rulers will permit substantially less of over-all produce to go to civilian needs than we will do. The offsetting advantage to the United States is that we work in an atmosphere of freedom. It is a great incentive and to the extent we can protect and preserve it we will remain strong.

American promises a better life for pepole through freedom. Russia, too, holds out the promise of a better life for many in the world, but the Communists seek to conceal the mechanism for its achievement—slavery. Our society is basically one of freedom and abundance; the Soviet society one of slavery and scarcity.

But there are millions in the world today who live in such conditions of misery and ignorance that they cannot begin to imagine what the American standard of living really is, or how the free exercise of human ability could achieve it. To them the Russian system is more comprehensible, because they have always been dominated by one form of government or another, and the standard of living promised by the Russians seems both desirable and attainable.

We have than a worldwide problem in misunderstanding which cannot be solved by the simple display of the dazzling fruits of our economic system. It will take patient explanation and careful use of terms to avoid increasing jealousy or hostility. And the problem is of great dimensions right here in the United States. How can we explain to the world how free men, in an atmosphere stimulating to their initiative and creative abilities, can produce more of all that is valued by mankind than any system run by government? How can we explain this to others — when so many Americans don't seem to understand it themselves?

Whether we like it or not, man is an economic animal. What he does, by an large, is reflected in economic terms. In Russia, where government operates the economy, it also operates the chief tool of production — man. And a man cannot be free under those conditions—even in his thinking. In the United States, men and women are free to determine what they shall do, and the government is instituted by them to maintain order and fair play. When you have freedom of action, freedom of thought, of imagination go with it—if, for no other reason, than because you have to pick among many courses of action to which to devote your time and energy.

Government Operation Strangulates

So, when government operates the economy and the industries which make it up, it is also operating the people and depriving them of freedom. Government operation of any industry, or any

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Obligations and Challenges To Electric Utility Industry

part of any industry, including electric power, inevitably starts the constriction and strangulation of human freedom, even though this may not have been the intention at the beginning.

Pointing up the difference between the two systems are living conditions here and in Russia. In the Soviet Union each person living in urban housing has an average of about 79 square feet of living space — equivalent to a room slightly smaller than 8 by 10 feet. In the United States each American has on the average about 370 square feet — nearly five times as much living space.

His freedom restricted in countless ways, even in his living quarters, the Russian consumer has very little choice in other things he needs and wants. In this nation, producers of goods and services devote effort and ingenuity to selling their wares to the consumer. But in Russia, the consumer must choose from what is offered that he can afford in either scantily stocked government stores or the black market—and neither is concerned with customer satisfaction.

So when we talk about selling electricity, we are dealing with an area of economic activity that the Russians know nothing about — their problem continues to be one of rationing. But a great deal of our attention is devoted to selling electricity and its applications to the consumer for use in the home. Right now the residential and rural category accounts for about 28% of total United States kilowatthour sales. By Light's Centennial, residential and rural sales will rise to better than 35% of the total estimated three trillion kilowatthours.

In 1979, residential and rural use of electricity will be about 1.1 trillion kilowatthours, about seven times the 158 billion kilowatthours in 1957.

In developing this prediction, we have included the effects of adding about 1½ "phantom" appliances a year—new applications of electricity for the home which cannot now be foreseen but which will influence consumption. This reflects the rapidity with which new developments in electrical living come into begin and are accepted by the American public.

But there are two fields in which applications of electricity could cause advances in use which would exceed what we can now predict. Light and heat — two fundamentals in civilized life — offer these major opportunities.

Potentials in Heating and Lighting

Electric house heating, one of the newer applications, is gaining in importance as a means of balancing the growing air conditioning load. When the customer begins to think of home *heating* as well as home cooling as a job for electricity, we will have opened the door to dramatic increases in our rate of growth.

Lighting, the load on which the industry was built, still has great potential. It has been pointed out that home lighting has been increasing at a much slower rate than kilowatthour sales for other services in spite of significant advances in the art of lighting. Proper development of these advances, according to a recent EEI report, could add more than 700 kilowatthours per customer to utility loads in the next 10 years. And load in the home lighting field has very desirable characteristics, with peak loads on many utility systems shifting from winter evenings to summer afternoons.

The use of electricity in large industry accounts for about half of the total of all power sales. In commercial establishments such as stores and offices, the proportion of total electricty sales approaches 20%.

By 1979, power purchased by industrial customers will total about 1.3 trillion kilowatthours, more than 4½ times the 283 billion kilowatthours used in 1957. Commercial use will be 533 billion kilowatthours, 5½ times last year's 95 billion total.

Reflected in these dramatic figures will be increased automation in industrial processes and in office activities. A big factor will be the growth and creation of new industries and job opportunities. The most spectacular example of this in recent years is the electronics industry, whose principal growth has come about in the dozen years since World War II. In all of the enterprises making up this industry there are now about 1½ million jobs, and annual sales total more than $13 billion. It would have been difficult indeed to predict 20 years ago, on the basis of what was essentially the radio business, the tremendous development of the electronics industry. I am sure that there will be other industrial surprises of similar magnitude in the next two decades.

But of even more basic significance is what these kilowatthour figures will mean in terms of human progress. A shorter work week, more machines to take upon themselves more and more of human drudgery, and more time for people to develop as they will in the creative, spiritual, human aspects which produce the ultimate values—and which cannot be made by machine.

In helping to make this future prospect a rewarding reality for all people, the electric companies will continue to operate with increasing efficiency in producing an abundant and dependable power supply. The companies themselves will take full advantage of the technological advances their service makes possible. Automation, for example, will play an increasing role in the operation of constantly growing generating plants. Electronic computers will be used more and more widely to determine instantly what combination of plants in interconnected systems should be used to meet changing power needs most economically.

Generating units themselves are being built in larger and larger sizes, and transmission voltages continue to be increased. Development in these and other fields of power supply technology will make constant contributions to the efficiency and low cost of electric service.

Many of these advances combine to bring down the amount and cost of fuel required to generate a kilowatthour of electricity well below the levels of the past decades. But research and development in different types of fuels and their uses hold the promise of gains to come.

For example, it is now possible to extract valuable chemicals from coal, and use the remaining low-grade residue in a new type of furnace for the generation of electricity.

Atomic Fuel

The use of atomic fuel has, of course, drawn the geratest public attention. But it will be a long time before electricity produced from nuclear fuels will be fully competitive with electricity produced from the so-called conventional "fossil" fuels — coal, oil and gas. The fossil fuels are not inexhaustible, however, and with the tremendous increases in energy needs expected over the years, there will come a time of growing reliance on uranium and other fissionable materials.

So the electric utility companies, the electrical manufacturers, the new atomic industry and the U. S. Atomic Energy Commission are working now to bring about economic nuclear power for the benefit of all mankind.

Today, less than four years since Congress permitted industry to own and operate nuclear power plants, the electric companies are participating in 27 atomic power projects, including 15 nuclear power plants either in operation, under construction, or planned.

This expanding program, carried on in cooperation with the manufacturers and the Atomic Energy Commission, involves more than half-a-billion dollars of electric company funds.

As the electric industry grows in all its aspects, so do other sectors of the economy. So, too, does the American free market in its capacity to finance growth. We in the electric industry expect to raise the money for the plant and equipment making up tomorrow's industry in the free market, as has always been done in the past.

The financial sources of the nation will continue to expand, and will continue to look to the electric companies as good places in which to put money to work. Insurance companies, for example, with constantly increasing sums for investment, can be expected to keep on putting major proportions of their funds into electric company securities. The stock market in general, representing a variety of individual and corporate interests, will continue to see in the electric companies good opportunities for investing.

Sound Financing and Expansion

A key factor in the sound financing and expansion of the electric industry to serve the public well is good regulation. The intelligence and understanding of the regulatory commissions have in the past helped make possible America's electric power leadership today and will continue to assure it for the future.

This nation has been blessed with a high level of regulatory wisdom and sense of responsibility on the part of the various utility commissions. In fulfilling their basic mission of protecting customers from poor service and unfair charges, the commissions have also recognized the importance of assuring fair treatment for investors in the utilities. This is not only because investors make up a larg part of the public themselves, but because good service depends upon investor willingness to supply funds to the utility for continued expansion of facilities and service.

Although many of the financial factors in the electric industry's future are going to continue to new high levels, there is one of particular interest to customers which will not.

Declining Revenue Per Kilowatthour

The average revenue per kilowatthour of electricity used in the home is less than half of what it was 25 years ago, and the over-all cost of living has doubled. The electricity price record stands out in sharp contrast to that of other goods and services. It has been achieved as a result of good regulation, gains in operating efficiency, careful watching of expenses, and the public's constantly increasing power consumption.

Of the total revenues received last year from customers by the electric companies for their service, 23%—23 cents out of every dollar — went for taxes of all kinds, local, state and Federal.

Over the years, the tax payments turned over to government by the electric companies have mounted into astronomical sums. Since 1933, for example, about $19.7 billion in taxes have been paid. Between now and 1979, an additional sum of $122 billion in taxes will be collected through electric bills, for a total of more than $141 billion since the year that the tax-escaping TVA was established.

These huge amounts of money highlight the importance of the electric companies as a tax source in the entire economy. If, for any reason, these taxes had to be raised by some other means than through electric company bills, serious dislocations in other parts of the economy would result.

Through the payment of taxes, the electric companies contribute to the building of missiles, nuclear submarines and other weapons for defense, to government conservation activities, to hospitals, schools, and to all the many other services which governmental agencies on every level perform for the public.

For example, the $1.1 billion paid to the Federal Government last year through electric company bills could have bought 137 B-52 jet bombers at $8 million each. Or they could have built 23 new submarines at $48 million each.

As a matter of fact, the electric company Federal taxes for just this one year could have covered the cost of all the power-producing facilities of the entire Tennessee Valley Authority, with the exception of the $600 million plant investment allocated to serving the Atomic Energy Commission.

Incidentally, it is worth emphasizing that the plants of two specially organized groups of electric companies supply about half the AEC load in the TVA area. The rates charged by these electric company groups are at the same level as those of TVA, but the companies are not exempt from any local, state, or Federal taxes.

On the state and local level, the nearly $800 million in taxes paid last year by the electric companies could have been used to build 320 high schools, each costing about $2½ million, and each providing modern educational facilities for about 750 students.

There are, of course, many areas of government spending of tax money which can be considered very questionable, to say the least. Because the money of our customers is heavily involved, we have a responsibility to do what we can to help them keep their thinking straight on this vitally important matter of taxation.

Public Power

For example, it seems unwise and unfair for governmentally operated power projects to sell electricity at a price which does not provide for taxes which are included in electric company bills. If those served by TVA and its municipal distributors had provided for Federal income taxes in their electric bills in fiscal 1957 on the same basis as the customers of electric companies do, $49 million would have been added to the U. S. Treasury.

Further, the 80% of the people

in the United States served by electric companies pay taxes through their bills to help make up for what is not collected from the 20% served by various governmentally supported electric systems.

The equitable solution for this situation is to assure that all customers pay taxes in the same way through their electric bills no matter who serves them, whether electric companies, governmental agencies, or cooperatives.

It follows, too, that tax money should not be spent to build more government power projects. The investor-owned companies have constantly demonstrated their ability to meet all power requirements of whatever magnitude. Just as an indication, the 12½ million kilowatts of new capacity scheduled for addition by the companies this year exceed by about one-third the total generating capacity of TVA. The companies which *pay* taxes instead of *draining* public tax resources are able to build each year the power equivalent of one TVA. Certainly there can be no need to add to the burdens of the taxpayer through the construction of more government power projects, when power supply requirements can be fully met by electric companies operating under the American free enterprise system.

It can be clearly demonstrated that the only course which should be taken by the power industry is that which embodies the American philosophy of freedom and which offers equitable tax treatment of all customers. Further, we lead the world in electricity supply because electric service was developed by enterprising organizations in an atmosphere of freedom. In other parts of the world where government has undertaken the operation of electric systems, achievement has been nowhere near as great.

As a logical matter, therefore, the question of so-called private vs. government power should not exist. The fact that it continues to be an issue indicates that far too many people are not aware of the facts or that they do not understand them. And a climate of good public understanding is essential to us in the electric industry, if we are to realize the full measure of what we see in the future for our cusomers, our investors, our employees — for all Americans.

All of the forecasts we have made include a basic hidden factor which is crucial if the goals are to be met. That is, quite simply, acceptance and understanding by the people we serve.

Hidden Assumption of Free Enterprise

It doesn't show anything like the accomplishment the curves for the other fields indicated. Yet this is what they all depend on, in the long run. We must move the curve of belief in free enterprise electric power supply up, among our employees and our customers. Making this curve take the right direction is no less a task for intelligence and hard work than progress in any other of the important areas of company policy and operation.

When we consider what people think, what their attitudes are, and how to get our own ideas across to them, we are not dealing in some occult art difficult to comprehend. Basically, we are involved in communications — and communicating with other people takes up more of everyone's thought and effort than just about anything else he does.

Not only does everyone have a certain natural aptitude in the field of communications, there have been developed techniques, practices, and tools to facilitate work in gaining public acceptance and understanding, and they are available to all of us. But if they are to be effective, they have to be *used* — and used with people. This means in the communities we serve, because that is where our most important people are.

Later on in the Convention, some ideas on "how to do it" in public and employee relations will be presented to you. I hope that all of us take careful heed. The only reason our public acceptance curve is not up with the others is because we have neglected tending it in our own backyards.

Just to indicate what this can mean, a survey has pointed out that about 24% of our own customers don't even know that they are served by an electric company. That means about nine million of those we serve, without taking into account the ignorance of their families, which would bring the total to over 30 million people. So an investor-owned electric company does a good job in its community, and because of this ignorance, a *governmental* agency gets the credit! This is the kind of irony that can hurt.

Where would that curve showing customer sentiment for the companies be if the customers knew they received service from an electric company, not a governmental agency? Where would it be if electric company people had paid a friendly call on each of our customers and had told Mrs. Smith or Mr. Jones that they were being served by an electric company? That an electric company is an organization representative of the American way of productive enterprise, made possible by the investment of the savings of people like themselves? That it is operated by people like themselves who are constantly striving to provide their neighbors and friends with the best possible electric service?

Such a chart would show what the effect would be, if the 24% were informed that they received their service from companies. Instead of 56 out of every 100 customers favoring investor-owned companies, the percentage would rise about 12 points, to 68 out of 100 in favor. And that's the difference between a simple plurality and a two-thirds majority.

There are enough people unsympathetic to us, with an awareness of the value of public opinion, who are doing their utmost to prevent us from offering facts about ourselves and the nation's electric power supply to the public. There's no reason why we should aid them by not even attempting to tell our story.

We are at the forefront of a struggle to defend two basic tenets of the American way of life — *free* speech, untaxed, not subject to censorship by governmental fiscal agencies or any other authority, and a *free* economy, not operated by government.

In the age-old and continuing struggle of man to keep free of the dehumanizing domination of government, we of the electric power industry have a unique position. The challenge today is greater than it has ever been and requires constant vigilance, intelligence and the willingness to act promptly against threats to freedom when ever and wherever they appear.

The ways to slavery are camouflaged in many guises. The naked use of force, chains and shackles are not the most effective techniques of would-be masters of mankind. These obvious methods inspire the will to resist among those not immediately subjected to them. Instead, economic methods are used; the granting of economic favors, or their withholding; the threat of deprivation, the lowering of status, or standard of living; the setting of one group or nation against another for material advantage. A government which has the power to make use of these methods anywhere in the world as certainly threatens men with ultimate slavery as does any horde of conquerors.

Electric power supply in a free economy is a vital weapon in today's worldwide battle to assure a future for all mankind in which the highest human qualities and values can endure and reach fulfillment. In our own society, power supply must continue to exemplify the freedom to exercise human abilities in which Americans believe, on which they have based their civilization. The challenge is clear before us, and we accept with vigorous determination our obligation in meeting it.

[ED. NOTE: Mr. McAfee has prepared a series of charts relative to the projections spelled out in the text of his address.]

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Better Selling Is a Must

a five-year effort. Then — since on-again, off-again promotions are wasteful—let's keep to the plan, regardless of the shifting business climate . . . regardless of whether selling is tough or easy in the future.

Budget More for Sales and Advertising

Next, let's be prepared to invest a lot more dollars in sales and advertising. We once invested a dollar to get a dollar of new revenue. Today we spend about 30 cents . . . which buys about half what 30 cents formerly did. Thus, our program has been gradually decreasing, while that of other industries has been increasing.

Roughly 1.6% of our gross now goes into promotion. This figure should be reviewed and revised, as an elementary first step in capitalizing on this tremendous opportunity.

We need to recognize this as an investment in our future . . . an investment that is just as important today as the investment in new capacity was yesterday.

It may be hackneyed to say it, but the way to make money is still to spend money wisely—an idea that our competitors for the consumer's dollar have already been heavily underscoring.

Third, let's increase our sales forces, and improve their calibre. Let's see that they do a better selling job in areas where we need it most right now. Then, let's keep up an active interest in all the problems facing our sales departments, and keep on giving them the support they need and deserve.

Finally . . . on the local level . . . let's get all our employees in on the act. Let's tell them what we are thinking . . . what we are up to. Let's sell them harder on the company . . . and make them eager to sell our company ideas to the public. In other words, let's transform our employees into enthusiastic, effective crusaders for the electric way of living. They can help do the job.

In this connection we can, of course, make better salesmen of these employees—when they are talking with their neighbors—if we encourage as many as possible to use more electrical appliances in their own homes.

On the national level . . . what can we do?

National Level Sales Effort

To begin with, I do not intend to sell short the splendid programs we have today. These have been performing heroically. But it is evident now that these programs are not enough.

Nationally, we need an overall, industry-wide sales effort . . . sponsored by utilities . . . to capitalize on the present market and meet the many competitive challenges of other industries.

The fact is—our real competition is not just with the gas appliances. There's still plenty of business for both electric and gas.

Our most potent competition comes from the thousand and one other vendors of goods and services whose products for the moment may seem to have more sex appeal than ours.

A well-conceived national program will accomplish several important jobs:

(1) It will provide a modern, efficient way to reach 47 million residential customers, at a minimum cost per customer.

(2) It will help to maintain a receptive climate in which to launch our local sales campaigns.

(3) It will encourage manufacturer tie-in and advertising support.

(4) It will stimulate retailers to more effective sales support.

(5) It will help meet the competition of national programs of other industries.

It is clear, however, that a national program cannot do a real job unless it is backed to the limit by all of us.

No matter how aggressive is the competition in the future, we can meet and beat it. Because we have the best product. We know we have the best sales story.

We will tell that story more dramatically. Tell it more often. Tell it more forcefully. Tell it to more people . . . and make them see it as we do.

Maybe at this point we have lost a round. Maybe we look a little groggy to some people. But now's the time to get up and come back swinging with our own Sunday punch.

Sure—our competitors are doing a good job. They have made real progress. But they have also done us a favor, if their successes prove to be the spark which fires us into more aggressive action.

It isn't like this industry to take a back seat to other industries in energy, imagination, ideas, or anything else . . . to neglect our obligation in any fashion to any segment of the public we serve . . . or to be anything but the best in everything, including salesmanship.

But there's no doubt about it. Facing us today, as we look toward the position of leadership our industry deserves, is a problem that calls for prompt and effective action.

It's a problem we must solve. We must solve it—and we can solve it—with better selling.

Now With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Charlotte C. Quasebarth is now associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. Miss Quasebarth was formerly with Crowell, Weedon & Co. and Francis I. du Pont & Co.

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The Challenges to Free Enterprise

and, in addition, robs them of incentive by outright interference and by unfair competition when they try to do things for themselves.

The Spread of Government

Our nation began its life as a Federation of Sovereign States with a Federal Government exercising rigidly limited powers. No longer are these powers limited. The Federal Government now touches the lives of each of us every day in some way or another.

Today, 37,817,000 citizens are receiving some form of payment from the Federal Government.

When we include dependents, probably one-half of the population of the United States is receiving directly or benefiting indirectly from some sort of payments from the Federal Government.

The extent of direct Federal aid to individuals, in my judgment, gives real cause for concern. It indicates continuing centralization of government in Washington, with correspondingly less control by individuals over their own destinies.

As the national government undertakes to "do things for" the people, it creates new classes of selfish vested interests who resist any attempt to change or end the particular program that benefits them. The longer a Federal program operates, the more entrenched it becomes and the harder it is to stop.

In this connection, many of you will recall Professor Parkinson's spoof on bureaucracy which, though funny, contains a good deal of truth. Professor Parkinson, writing some years ago in the London "Economist," advanced the contention that in government there are two axioms: first, a bureaucrat strives to increase subordinates, not rivals; and, second, that bureaucrats strive to make work for each other. Professor Parkinson expressed these axioms in a formula to prove that the number of subordinates multiply at a steady rate regardless of the amount of work turned out. As part of his jest, he even calculated the rate of increase at between 5.17% and 6.56% a year — even where the final output decreases.

Returning to our main theme, I wish to refer to an excellent study made recently by the Legislative Reference Section of the Library of Congress at the request of some of my colleagues in Congress. This study is designed to show the effects of a big government that is growing bigger on individual rights and free enterprise.

The study has a good deal to say about taxes. The government, of course, has a right and a need to tax us.

Where the power to tax gets out of hand is where taxation becomes oppressive and this, largely to support unnecessary expansion of government.

The study notes that for 1956, the per capita tax from all levels of government was estimated at more than $600. About 75% of this represented Federal taxes. Twenty years ago, the per capita Federal tax burden was only about $30.

Though national income quadrupled from 1929 to 1955, Federal taxes increased 23-fold.

Following World War II, a special tax committee of the House Ways and Means Committee reported its concern over the effects of high tax rates on production as follows (and I quote):

"With the present scale of tax rates, we have put the brakes on men's incentives to a dangerous degree by piling heavier and heavier burdens on them as they try to climb up the ladder . . . this is stultifying to the kind of dynamic long-term growth that has characterized this country in the past . . .

"If our economy is to survive and prosper, we must see to it that men are encouraged to work and produce, to turn out better goods at lower prices. Particularly, we must see to it that tax rates are not so high that a man has little or no incentive to work harder and produce more."

The obvious danger of this increasingly high taxation is the aid it gives to creeping socialism. Bear in mind that Karl Marx predicted in 1848 that the destruction of Capitalism would be achieved by the destruction of the middle class with the aid of a highly progressive tax.

Consider also government expansion in the field of public housing. As noted in the study, a vast bureaucracy has grown up around the government's entry into the housing business over the past 20 years. Under the Public Housing Administration, we have something like 900 local authorities administering low rent public dwelling units. During this Session of Congress, we passed another housing bill costing the country $1.95 billion in housing funds.

Federal expansion in housing has come in spite of the fact that members of the real estate and building materials industries say that public housing not only is costly to the taxpayer who puts up the subsidy but that the original construction costs are higher than they would be if the projects were sponsored by private groups.

There is evidence to show, according to this study, that the government's role has not contributed to the long-term stability of the residential construction industry and cost reductions are not apparent.

But the danger comes from another direction. With public housing as with free public anything, there is always a tendency to increase the number of persons eligible to benefit and to expand the area of authority. This tendency is very often accentuated when there is a possibility to attract votes. The continued subsidization of housing for the lower income groups may eventually extend to government housing for the middle income group, which is increasingly feeling the burden of taxes and unable to pay its own way. There is already much pressure on Congress for assistance in the construction of middle income housing. Obviously, should this be done, the votes of those who qualify will be extensive.

As this study further states, what could represent less freedom, less privacy than the process through which an applicant must go to qualify for residency in public housing: Investigation of his credit, his job, his living manners, his tax records, the size of his family and his income.

In public housing projects it is the rule that a tenant's income may not increase more than 20% over the income earned at the time of his acceptance. There have been instances when occupants of housing projects refused over-time work and promotions for fear of being made to vacate their government homes.

Turning to Federal credit activities, today the Federal Government lends directly $1 for every $5 lent by private banks. The pressure to increase the amount of government lending and to expand the areas covered seems to be rising.

The fields in which the government carries out loan programs are housing, agriculture, loans to business, foreign investment, and inter-governmental loans.

The many Federal organizations handling these fields are free from many state, local, and in many cases, Federal taxes. Thus, these agencies have an unfair competitive advantage over private enterprise.

Where the private lender is concerned with earning a profit and feels an immediate responsibility for the disposition of his funds, these motives are absent or less compelling in the Federal official.

Firms or individuals who cannot meet the credit standards of private lending agencies receive an unfair competitive advantage if they are than granted a loan by a govermental agency. Thus we see standards for loans becoming weakened, political considerations begin to play a part, and the door is opened for administration laxities, favoritism and even corruption.

In the field of agriculture with price support and acreage control policies, we have gone a long way toward robbing the farmer of initiative and efficiency. And, in the process, we have piled up tons and tons of surplus farm products. The Legislative Reference study estimates that warehousing charges for the surplus are costing the American taxpayer $1 million a day. The study also cites a Department of Agriculture estimate that surpluses in 1955 depressed farm prices 20% below what they would otherwise have been and that farmers lost about $2 billion as a result.

The study observes that when a commodity is produced for the government rather than for a growing market, the producer almost inevitably finds a ceiling placed on opportunity.

The Legislative Reference Section of the Library of Congress study also explores the adverse effects of other Federal programs, including Federal aid to education, the weakening of state rights through grants-in-aid, and the adverse effects of Federal reclamation and the government in the electric power business.

In the above, I have gone into detail to illustrate the insidiousness of the domestic brand of socialism that is enveloping us— misuse of the power to tax, transferring the function of capital from private hands to the state, increasing control over the citizen's dwelling unit, the possibility of greater control over the education of our children.

There are, of course, more direct forms of government encroachment than these.

Keeping Government Out of Business

When I was Chairman of the Senate Appropriations Committee, we made a survey of more than 1,000 different business activities in which the U. S. Government was engaged.

The Hoover Commission, while I was a member, made a survey of more than 3,000 such operations. These included furniture making, clothing manufacture, saw mill operations, dry cleaning, rope making, synthetic rubber plants, ice cream factories, and electric power development.

In May, 1956, the Budget Bureau revealed the astounding information that the Federal Government owned 19,711 business-type facilities which it operated or contracted with private parties to operate. The total Federal investment was $11.6 **billion**. This is production only for the use by the government itself and not for sale to the public. In yet other fields, such as electric power production, it competes by sale to the public.

It seems to me that the use of tax money by the Federal Government for activities which compete directly with its own taxpayers is indefensible. Such operations, if carried to the ultimate, would mean government ownership of all the means of production—we would all be working for government.

In my book, that is socialism, and though it is a hard word to some, let's have the courage to face it.

Republicans believe that private industry and private initiative should be allowed to function under competitive conditions. That system has proven the best yet devised to produce the goods and services men need, to provide jobs, and to raise the standard of living.

Because we Republicans saw in these thousands of government-run businesses the seed of socialism, we have taken steps to terminate them. Steady progress is being made.

Since Republicans took office in January 1953, the Defense Department alone has discontinued 274 commercial — or industrial-type operations; has curtailed 50; has in process of discontinuance or curtailment 63 more; and has scheduled 161 operations for discontinuance or curtailment—for a total of 548 commercial or industrial activities the Defense Department has acted upon.

In addition, 958 operations are still in various stages of review by Defense officials to determine whether they can be eliminated.

Elsewhere in government, 145 out of 289 strictly civilian-type manufacturing activities have been terminated or substantially curtailed since an inventory was completed a year ago.

In many cases, the Administration was able to take action on its own. In the case of liquidation of the RFC, the sale of synthetic rubber plants, and disposal of Inland Waterway Corporation properties — legislation was required, and the Congress so acted.

It is not an easy task to get rid of government activities, and it is not an easy task to hold the line against further government encroachment. Neither is it an easy task to reverse the trend toward socialism.

Those of us who have warned against moving too fast and too far in the welfare field have been maligned as heartless pinchpennies.

What we have tried to do is to inject reason and balance in government programs involving benefits to individuals in the country. We have stood firm against having the government undertake more than even this wealthy Nation can support—but we have not always won our battle.

I believe it is morally wrong for the government to promise more than it can deliver. It is wrong for the government to pledge benefits to the American people and then set up an unsound system for financing these benefits.

But those of us who have fought for safeguards to protect the American people have been subjected to much abuse because we dared to point out there is no pie in the sky.

The Electric Industry

I have waited until now to say anything about the electric power industry because unquestionably your industry is in the front line of defense against expanding government. You will be the first to succumb to government unless we can reverse the present trends. You face a terrific struggle, for the proponents of Federal power are many; they are dedicated and they never rest.

When I was first elected to the Senate in 1937, 2.4% of the nation's electric capacity was owned by the government. Your companies owned 89.7% and other public bodies owned 7.9%. In the intervening years there has been great expansion in the electric industry but a disproportionate share of that expansion has been in the Federal power field. Last year, 15.3% of the power capacity was Federal, while your share had dropped to 75.5%, while other public bodies owned 9.2%. In 1937, the government owned 1.7 million kilowatts of steam capacity, or 6¾% of the total steam capacity in the country. By 1957, their share had increased to 13.4 million kilowatts of steam capacity or nearly 13½% of total steam capacity.

It would be serious in any basic industry, be it steel, or coal, or transportation, if government assumed such a high proportion of activity. But electric power is the single, most essential factor in our nation's productive capacity. Government activity in this industry can lead surely to disastrous consequences. You know what Lenin said in 1920:

"Communism is the Soviet power plus the electrification of the whole country."

Yes, there is no doubt that your industry is the first target of the government ownership advocates. The implications of the various drives in this connection, however, spell trouble for our whole free enterprise system. Let me illustrate.

TVA

I don't have to tell you the facts about what has happened and is happening in the TVA region. I am sure you are all thoroughly familiar with these unpleasant details. What started out primarily as a flood control and navigation project has become the largest single power producing agency in the country.

The government investment from taxes alone totals nearly $1.2 billion, of which only $240 million has been repaid to the Treasury.

Whereas power operations were to be incidental to flood control and navigation in an area roughly 40,000 square miles, today power operations are the paramount activity of TVA in an area of 80,000 square miles.

Having exhausted its hydro potential, TVA went into steam power generation and this now constitutes over 75% of its total capacity of 10 million kilowatts.

I want to examine though, the broader implications of what is taking place there today.

The first of these is the establishment of state capitalism through the revenue bond proposal. This state capitalism obviously sets up a precedent for similar organizations in the Pacific Northwest, the Missouri River Basin, the Southwest, and who knows where eventually. These state corporations first will engulf your industry and with the pattern then well established will be used for gas, oil, steel, coal and no doubt many others.

Here is another example of what I meant by the insidiousness of the danger than confronts us. Many persons even in high places cannot see the pitfalls in the revenue bond proposal.

The revenue bond proposal is unsound in principle, but if it is adopted for the TVA there should at least be provision for these safeguards:

(1) Clearly defined area limitations keeping TVA's service area where it now is.

(2) Maintenance of control by Congress and executive agencies over the issuance of bonds by TVA.

(3) Full recovery of present and future Federal investment plus actual interest cost and adequate payments in lieu of taxes instead on the present token payments.

(4) An end to the sole supplier clause of TVA contracts which prohibit TVA customers from seeking power from any other source.

But, regardless of safeguards the revenue bond arrangement is still bad government. It opens the

way for a series of free-wheeling government corporations, out from under the watchful eyes of Congress free to raise their own money, and very likely to become drunk with their own power.

This formula also puts the seal of approval on government in business but in such a way that the government will be competing with itself for money from the people.

REA

The Rural Electrification Act was passed no doubt with the best intentions in the world and obviously without any awareness in 1936 of the complications it would present in 1958.

The electric cooperatives formed to take advantage of the benefits available under the Rural Electrification Act, also in most cases were formed with the best intentions in the world and, in the past, have made a real contribution to the advancement of rural life.

I know that many of you get along well with the co-ops. They are your neighbors, and you help each other as good neighbors should in times of emergency.

Today, however, a disturbing change is taking place in this program.

When REA was established, it was with the intention of bringing power to uneconomic customers largely in the rural areas of low customer density where private enterprise could not economically render service. This function REA has fulfilled and fulfilled well. I am sure you all know the statistics. Over 95% of our farms now have central station service and Rural Electrification is now more concerned, and rightly so, with improving its service.

Having reached this stage, the REA co-ops are now turning to new fields which have nothing to do with original concept of REA. Already the income of co-ops is more than 50% from non-farm customers such as industry, commerce, and non-farm residential. Bear in mind that this electricity is being supplied with the aid of Federal loans at 2% interest. The electric co-op, therefore, is in a favorite position to undersell your companies in going after this non-farm business.

As you are aware, the Administration this year proposed that the time has come when REA co-ops should seek non-Federal sources of financing. You are also aware of the frenzy of opposition that has been whipped up to this proposal by the co-op leadership.

We can see the reason for this frenzy when we look at the figures.

Appropriations for REA electrification loans totaled $13.9 million in 1936. By 1957, total appropriations had reached $3.7 billion.

This year, Congress more than doubled the Administration's request for loan funds for fiscal 1959, setting the figure at $317 million. Last year, Congress voted $379 million in loan funds. The REA Administrator, David Hamil, has estimated that within a generation the rate of REA electrification loan needs will be running at $1 billion a year.

Naturally, $1 billion a year of 2% loan money is a nice thing, if you can keep it, and this is just what the co-op leadership plans to do.

Combined with this insistence on prolonging the use of below cost Federal money to finance expansion and the exclusive right to buy below cost power from subsidized Federal power projects, there is the concerted mad effort on the part of a few electric co-op leaders to establish the Federal tax-free REA co-op as the true symbol of free enterprise.

Your companies have repeatedly been attacked as "profit companies," and as monopolies. At the same time, the co-op is held up as representing authentic free enterprise.

This attack on the profit motive is disturbing for the profit motive has been the force in our lives, our system, our history always at work pushing this country to an ever higher state of development.

This motivating force is so much a part of our lives and traditions that inevitably one must question the purpose of those who would do away with it.

A few years ago, Bernard Baruch wrote a brief and penetrating little book called, "A Philosophy for Our Time." Part of the book is a plea for better understanding by the student body of his Alma Mater, City College of New York, of the role of business in our national life.

As to profit, said Mr. Baruch, (and I quote):

"Only if men's labors show a profit—that is, they yield more than is put in—can society and each individual member have the means for material progress. To produce at a loss leaves less to share. Put me down as old-fashioned, if you will, but I still believe that a profitable enterprise contributes more to civic virtue than an unprofitable one."

Mr. Baruch went on to ask what are the alternatives to the profit system. One alternative, he said, would be to have men work for the love of their labors or out of a sense of service to others. But (and I quote again), "thus far in human experience, no community has ever been able to hold together long behind this ideal."

The other alternative to the incentive of profit, he continued, "is to force men to work by order of some higher authority. Wherever it has been applied, it has meant a loss of some freedom. At times it has reduced men to slavery."

"The profit motive—may I emphasize—offers a form of incentive that does not rest on coercion. In this respect it is a vital mechanism of personal freedom. That the profit system emerged as part of a revolt against excessive governmental authority was no accident, nor was it accidental that there flourished along with it a degree of personal freedom never seen before."

The path down which the co-ops are being led today is a classic example of a privileged class whose privilege is dependent on government bounty, becoming entrenched and seeking to extend and expand their privilege at the expense of the rest of the nation.

I put the blame for this state of affairs squarely on the shoulders of part of the present electric co-op leadership. I find it difficult to believe that the great majority of America's farmers who are co-op members are not confirmed individualists who would turn their backs immediately on this situation if they could see clearly where it is leading.

When we take a close look at this co-op leadership, we see a strange situation. We see this electric co-op leadership working hand in glove with those elements of labor which would nationalize all industry. We see it working side-by-side with those elements which would nationalize your industry. We see it loudly proclaiming non-partisanship yet being blatantly partisan. These things are not characteristic of our farming or rural people.

Atomic Energy

Perhaps nowhere more clearly than in the case of atomic energy have our welfare state advocates revealed their motives. Enough time has now elapsed since we began talking peaceful application of atomic power to gain some perspective on the events which have taken place — mostly in Washington.

You will recall that no sooner had we made the decision to concentrate our efforts on the development of the peaceful application of the atom when the advocates of Federal power pounced on the atom as a source of energy "belonging to the people."

This was how they justified the development of Federal hydroelectric projects. But our hydroelectric potential—at least, that which is economically justifiable —is almost exhausted. The atom, therefore, represented to them a heaven-sent opportunity to branch out in a new direction.

Congress has managed to blunt this attack for the time being and it is well that we have been able to do so. I shudder to think of the bill that would have been run up by now and to which future generations of American taxpayers would have been committed if we had undertaken the proposed program of atomic power plants which could have produced power only at from three to six times the cost of conventional power.

I don't have to reiterate to you people the many and various and devious justifications advanced by the Federal power advocates for Federal development of the atom. One cannot help asking what has come into our society when such people choose to turn their backs on the record of American industry and choose in its place the bumbling hand of the Federal Government.

Legislative Attrition Against Electric Industry

In addition to such broad fields as I have discussed—TVA, REA, Atomic Energy—we also see a steady process of attrition on your industry by other legislation.

Sometimes it is seemingly innocuous, such as Senate Resolution 148. This resolution changes the procedure for evaluating water projects to make it easier to justify Federal construction of non-economic projects.

Sometimes the attrition process is buried in a bill, such as the Omnibus Rivers and Harbors Bill which the President vetoed. Sometimes the attrition only takes the form of a staged Congressional hearing.

The fact is, however, that there is a never-ending drive to circumscribe the electric power industry, to weaken it, to make it more difficult for you people to remain in business. Your opponents are, even, as you know too well, now trying to force you to keep quiet and not talk up in defense of your industry.

The total picture this presents is one of political regulation of an industry outside the legal structure of regulation.

United States and Soviet Power

During the past five months the Federal power supporters have advanced a new argument to justify the construction of more and more Federal power projects. Very briefly, the argument is that the Soviet Union is adding kilowatts at a greater rate than the United States.

Now, this may well be true about the Soviet Union but, as I indicated at the beginning of my talk, the logic of trying to equate our growth in this field with Soviet Union growth escapes me. In all the arguments citing the Soviet progress, one fact is always omitted, namely, to what extent is the Soviet citizen benefiting from the additional power?

We have no power shortage in the United States. In fact, we have ample power reserves. Our rate of expansion is such that it will continue to meet our needs and maintain these ample reserves.

Furthermore, we know why it is we are expanding our power capacity. It is to give our citizens more of the good things of life — more electrical appliances to cut domestic labor, more electrically operated tools of production, more automatic services—in short, to improve our standard of living.

Is this what the Russians are doing? If they are, I can't see any reason to be disturbed. Do we want them to remain peasants? Or do we want them to achieve a better standard of living and perhaps in the process of doing so become less of a menace to us. If, on the other hand, this rapidly increasing Russian power capacity is geared to the production of war weapons, then we have cause to be disturbed. But disturbed, not because of the power capacity, but because of the objective for its installation.

If we decide we need more power for military objectives, we can install it through our tried and proven channels of free enterprise. But you know and I know that this is not what many are thinking. They want more Federal power projects to provide more power for those privileged Americans who benefit from the preference clause. And, the larger this privileged class grows, the more difficult it is for you to fight back.

Conclusion

How do we meet this whole problem, the problem confronting you and your industry, and the problem confronting our entire economic system?

Partly the answer lies in the minds and the hearts of our people. But we live in an increasingly complex world and, too often, the effort required to learn the issues involved proves too burdensome. Even so, we have a responsibility to see that people do understand these matters. If the issues are understood, people will make the right decisions.

Your industry has a tremendous responsibility. Being in the front line, you have to make sure you don't go down. Those of us in Congress who know you and understand your problems will do our part. But our numbers are too few, they must be increased. And this brings us back again to the minds and hearts of people. They must be informed and know the issues at stake.

Here we all have a job to do.

We must, in effect, "Each one, teach one."

Each one of us teach another what we know about this issue. None can rest till all our freedoms are made secure.

A wonderful world can be ours tomorrow. But, it is today when we determine whether we gain it through freedom or lose it through slavery.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Sidney Jacobs has become connected with Shearson, Hammill & Co., 37 Lewis Street. He was formerly with Income Funds, Inc.

Continued from first page

Capital Requirements in An Inflationary Era

like. It is even possible that a further decline in the value of the dollar might be accentuated because of that very softness. Certainly, many of the panicky measures advocated early in 1958, some of which have been adopted in less violent form, could hardly avoid producing inflationary pressures at a later date.

Impact of Inflation

It may be pertinent to review briefly what has actually happened to the buying power of our dollar. We know, of course, that it has been cut roughly in half since 1939. Inasmuch as the early part of the period included World War II, it is probably more useful for our proposes to think of changes over the last decade.

With the steady rise in the consumer price index, the 1947-49 dollar in the past spring was worth about 81 cents. I might add that your own industry's record in holding price gains below the average has resulted in about five cents more power in the dollar spent for electricity. Based upon the all-inclusive wholesale price index, the overall businessman's dollar has about 84 cents in purchasing power compared with 1947. But that is highly deceptive, as this figure would be but 65 cents in the field of metals and metal products, where prices have risen most. And a rough calculation would suggest that this figure is about in line for many of the large and costly items which you must purchase for your plant expansion programs.

History shows that every major war has been followed by several years of vigorous and sometimes frantic replenishing of the goods that people and business need and want. This has usually been followed by a period of substantially reduced activity while the economy gets its breath.

Thus, since 1947, except for short interruptions in 1948-49 and again in 1953-54, we enjoyed on almost every front a boom which took us to new economic heights in the third quarter of 1957. All elements of the economy, particularly organized labor which was able to get steady increases in wages running at times beyond gains in productivity, thoroughly enjoyed the experience.

Since last summer we have been in a period of recession. Despite a steady and marked decrease in production, employment, and—to a lesser extent—income, prices and wage rates have continued to show advancing tendencies. Thus many perceptive observers have wisely concluded that the inflationary threat was only dormant. Anti-recession actions and suggestions, in Congress and out, would seem to indicate that a substantial number of persons—perhaps a majority—are unwilling to allow natural laws to work. Most people fear any deflation. Although they may say they want lower prices, they appear to prefer mild inflation when the chips are down. If the government is to interfere at the first signs of dip, as so many have advocated, a drift toward a controlled economy seems quite possible.

And it is small wonder that the mythical man in the street should be confused. In the same day's press one has been able to read that several eminent and respected economists feel the threat of inflation is much less to be feared than a slow-down in business or a rise in unemployment beyond minimum levels, while other equally respected economists tell us that creeping inflation is more of a threat to our way of life than even the Russian menace. Both groups, by inference, suggest that we may expect inflation, but one advocates it. Therefore, I prefer to be on the safe side by anticipating that inflation seems likely to be a continuing process even though at varying rates, rather than to find suddenly that it must be faced.

Defends Inflation-Conclusion

Perhaps we can bring into somewhat sharper focus the reasons behind the probability of further inflation. One of the primary points would certainly be that, unlike previous periods following a major war, we have been—and for a long time ahead will be—engaged in a defense effort, whose impact upon our economy is fully as significant as in previous full-fledged wars.

There are many who feel that Russia is unlikely to strike unless she has clear-cut superiority to guarantee quick success, or unless internal conditions in that country deteriorate to the point where the present ruling clique could only hope to maintain its power by a desperate bid to divert energy and attention to an external foe. In order to be sure that the first of these eventualities does not arise, the magnitude of our defense efforts may well increase in cost still further as the complexity and sophistication of our weapons systems require larger and larger expenditures for hardware and for research and development. That there may be a lessening of tensions and a corresponding reduction in expenditures solely for defense, is the fervent hope of all, but the most realistic assumption is that such a time is not near at hand nor likely to develop during the period we are considering.

In addition to the defense requirements in this uncertain world, there is another aspect of the situation likely to prove costly in one way or another. Whether or not you choose to accept the rather generally expressed idea that Russia's growth rate is twice as rapid as our own, there is an added economic and subversive threat from her new and growing capabilities in production and trade that we cannot afford to disregard. Our recession has been used against us with great propaganda advantage, so that we must strive to hold it to a minimum. With a monolithic, totalitarian regime, the Soviet Union is in a position in world markets to withhold supplies of goods, to engage in dumping, to cut prices indiscriminately, to make loans at low rates, or to indulge in other forms of economic warfare of their choosing. Such tactics could easily be costly to the United States in military or economic aid, development funds, or in other ways likely to add still further to the costs of government and the consequent inflationary pressures.

Added to this new and weighty influence of the costly "cold war," we find an expanded role of government in numerous other directions. Under the Employment Act of 1946, the Federal Government has assumed enlarged responsibilities for the promotion of "maximum employment, production, and purchasing power." To the extent that government interprets this commitment as a mandate to provide "over-full" employment, it may be unable to resist the pressures to take steps which will have the effect of validating excessive wage demands. Where these tend frequently to outrun improvements in productivity, this would encourage rising rather than stable prices.

In the areas of broader responsibility to people, such as housing, social security, education, and others, the trend seems to be toward more and more direct Federal programs or grants-in-aid to the States. The net result seems likely to be even higher Federal spending. As you know, the latest estimates for fiscal 1959 suggest the possibility of a deficit of some $8 billion, without any allowance for tax reduction or added emergency expenditures during the year ahead. Thus, Federal taxes will most likely continue extremely burdensome, and tax revision or reform—which might bring about more equitable distribution—may be postponed.

Of equal or even greater importance to you, I am sure, is the trend at State and local levels of government where a similar philosophy of "doing good" has fanned out widely and expensively. According to a recent study by the Tax Foundation, there has been more than a three-fold increase since World War II in both State and local government expenditures, and in State and local debt. The *amount* of increase in State and local spending from 1946 to 1956 was almost as great as the increase in Federal expenditures from their post-World War II low to the current level. Expenditures of State and local governments are likely to rise more rapidly than the total national output, using even the most conservative assumptions about future demands for services. The pressures on the States and localities for new taxes and additional revenues will almost certainly mount in the years ahead.

With all levels of government increasing their spending, there is bound to be competition for sources of revenue. One would also be justified in assuming that borrowing would be extensively used, and this would clearly have inflationary implications.

Labor Monopoly Power

A third point which I am sure is highly disturbing to all of us in business is the unfortunate effects of the monopoly power of the labor unions. Its results are perhaps best exemplified by the steady increase in wage rates over a period of several decades through threats to halt production in key industries. Since this has not been accompanied by commensurate gains in productivity, particularly in recent years, unit labor costs have tended to rise disproportionately. Here we find the basis for a new rigidity in costs which has boosted break-even points and produced a troublesome "stickiness" in prices, while also seriously eroding profit margins.

A recent study by Edward H. Chamberlin entitled, "The Economic Analysis of Labor Union Power," published by American Enterprise Association, advances "abundant evidence that unions today do have too much economic power." Where this is true, the author concludes that the public interest requires that steps be taken to reduce it. I would agree with him "that unions, like business corporations, are 'here to stay.' But also, like business corporations, they can be subjected to social control."

This necessity will continue to be a pressing problem until we can arrive at some equitable solution, and I suspect will provide some pressure toward inflation over the period under consideration. While this does not exhaust the reasons that might be advanced for the inflationary potential in the years ahead, certainly the heavy defense spending, rising non-defense expenditures in view of the expanded role of governments, and the monopoly power of labor unions, provide three major road blocks. Thus, I come to the conclusion that even though we may continue to have periods of recession of varying intensity, the only safe basis for planning for long-term capital needs is to recognize the likelihood of further decline in the value of the dollar.

You may well ask whether government cannot satisfactorily control this process through the manipulations of monetary and fiscal policy. Experience of the past year suggests the difficulty, if not impossibility, of coping adequately with "wage-push" inflation through monetary policy alone. The Federal Reserve has dealt courageously and forthrightly with the problem and gained much useful experience in the power of its various tools for influencing the supply and cost of credit. It deserves our understanding and approval. But apparently we must risk some slackening of business and unemployment to accomplish necessary readjustments via this route. Politics being what it is, this is highly unpopular, for an economy always operating in an expanding boom is widely regarded as desirable and essential. A realistic attitude tells us that this is not possible, but political competition belies this answer. Monetary policy seems destined at best to keep our inflation within narrower limits than would otherwise develop if purely political considerations were allowed to prevail. While it might seem a worthwhile accomplishment to hold our inflation to a "creep," this could turn out to be a seductive and deluding pace.

Sees Real GNP of $550 Billion In 1965

If the trend takes the direction which I suggest, what might this mean to the economic growth of the nation, upon which, in turn, the continued growth of your industry is to a considerable extent dependent? Even recognizing the hazards of long-range projections, they must, of necessity, be a key element in investment planning of business as well as policy decisions by government in many areas. Perhaps at present, when the economy is in a recessive phase, this may seem to you to add to the hazards of projecting its growth. I would suggest, however, that over the period to 1965, benefiting from a rising trend of productivity similar to that in our past history — 2½% per annum compounded—we might expect to build up to a potential gross national product of close to $550 billion in 1957 dollars.

The key to our achievement of such a goal would be based: first, upon our ability to work our way through the present readjustment period without dropping into a depression; and, second, upon the avoidance of inflation. I am more sanguine about our ability to accomplish the former than the latter, as I have already made clear. The pathway to such a medium-term goal could, of course, be considerably roughened by the presence of intermittent inflationary pressures. At times progress might be speeded up as it seemed that prices were likely to rise and, therefore, anticipation of expenditures would be advantageous. At other times, when it might appear that some slackening in prices was in the offing, there might be a tendency to slow down expansion. This environment, even though it should demonstrate that the broad long-range trend was inflationary, would increase the problems and complexities of business operation to a considerable degree.

Capital Needs May Exceed Supply

If we may now carry over this general line of thinking into the area of capital requirements, it would seem to me possible that these might be both enlarged and made more costly by continued inflation. At this point you will perhaps say that the private utility industry has amply demonstrated its ability to finance an astounding increase in capacity both during and after World War II, and therefore no new problem is being faced. We can certainly hope that this is true but the probabilities seem to point to a very long line of applicants in the capital markets in the years ahead. The needs of your industry are so great that you cannot afford to be very far behind top rank in the preference of investors, however well you have fared thus far. Changes in investment preferences do take place and are not quickly reversed. We have already had occasion to note that all levels of government are likely to be substantial borrowers over the period about which we are concerned. Other places in the line will certainly be taken by many types of business as well as by utilities.

One projection of capital spending for 1965, prepared by McGraw-Hill, shows a level well in excess of $40 billion measured in 1957 dollars. The larger economy will be utilizing more steel, aluminum, chemicals, synthetic fibers, plastics, and numerous other items than ever before. Research and development expenditures by industry are estimated to have exceeded $7 billion in 1957, nearly double the 1953 level. To this might be added government, university, and foundation expenditures on research of $3 billion last year. Under favorable conditions, total research and development spending might well climb to $15 billion in the early 1960's, providing the basis for the new products and processes of a healthy, growing economy and a commensurate demand for fixed capital to bring these programs to realization. Yes, the users of capital funds are likely to prove numerous and demanding, with a reasonable chance that requirements will exceed supply.

More specifically, what is the probable magnitude of the utility industry's problem? Perhaps a fair estimate of the total new construction needs of the investor-owned utilities for the eight-year period 1958 to 1965 inclusive, and assuming installed generating capacity at the terminal year of 160 million kilowatts, would be $40 billion. This would work out to an average annual value for plant expansion more than double that of the period 1948-1957. It would likewise be about $5 billion more than the total estimated electric utility plant account at the end of 1957.

Utilities Will Need $25 Billion

If we may assume that the industry will generate internally about the same percentage of its total cash requirements for construction as it has in the past decade, then the investor-owned companies would have to go to the financial markets for roughly $25 billion. In any one year the range would probably be from $2½ to $4½ billion. Further, if the ratio of long-term debt to total capital raised during the 1946-1956 period were to prevail in the years ahead to 1965, the long-term debt requirements alone might equal more than $16 billion. This would be close to the total capital raised from all sources in the past 12 years.

While such needs on the part of the electric utilities will rank them high on the list of expanding industries, where they have indeed been during much of the post-World War II period, substantial financial requirements in most of our basic industries must also be reckoned with. These will need to be added to the growing requirements of government. And we must not overlook individual demands for mortgage money and for various forms of personal credit, which are almost certain to be heavy in the early 1960's, if

we achieve our projected growth in population, labor force, and output. To meet such capital requirements, huge savings will be required, and savings under inflationary conditions are quite likely to develop an ugly and troublesome gap between supply and demand, as was the case during much of the 1955-57 boom period. Clearly, difficult financing problems for those seeking capital seem certain in the years ahead, once we resume our economic growth.

Return to Higher Interest Rate

And what of interest rates? This is indeed a difficult area to forecast, as you are all aware. One cannot be very specific. But we may note that interest rates and bonds yields have shown an irregular advance over the years since World War II. There have been several surges which have shown successively higher starting and ending points. If this pattern is to continue, one could argue quite convincingly that the next advance might well set another new record, especially since recent peaks are by no means historically high if one looks back prior to the early 1930's. Perhaps the combination of latent inflationary pressures and the potentially strong demand which we have suggested combine to make this a reasonable "guesstimate," particularly if we can assume that the Federal Reserve will retain reasonable latitude in its use of credit policy.

If, at this point, we may assume that management is willing to accept as a working hypothesis the prospect of further inflation, a broad, sustained demand for capital, and possibly a rising trend in the cost of money, what course of action does this suggest? My answer is the raising of capital early enough to at least temper some of the stresses which may be expected to make themselves felt.

I am well aware of the thesis that in periods of inflation, whether mild or active, it is desirable to have debt, in the expectation of paying off later in cheaper dollars. I am equally well aware of the beneficial effect upon per share earnings if debt rather than equity is increased. But make no mistake—lenders are and will be equally well aware of these facts. They will be less than anxious to freeze their dollars in any situation should there be any doubts about that industry maintaining strength while meeting steadily increasing needs. This seems particularly important in your industry where you must be amply prepared to serve the public demand.

It is certainly pertinent at this point to recognize the splendid record of the private utility firms. Despite the raising of $15 billion from 1946 to 1956, the ratio of debt in the capital structure was actually reduced by one percentage point to 50½%. Preferred stock was relatively less widely used at the end of the period, while common stock and surplus combined accounted for over 37% of capital structure in 1956 compared with 31½% in 1946.

It would seem desirable that such steady strengthening of the capital base should be fostered at every opportunity in order to provide the soundest possible foundation for the most desirable debt structure. If, on the other hand, a policy of minimum equity were to be followed, it is not difficult to imagine a condition evolving, where some utilities not widely considered by the investing public to be in the inflation-hedge category, might be able to put their capital structure in position to satisfy a prospective lender only at an excessive cost. Conditions affecting investors' psychology can change with great speed, as events of the past six or eight months have demonstrated. It may then become a slow and difficult task to restore the climate most conducive to meeting the continuing needs of a business which just won't stop growing.

Suggests Counter-Cyclical Investment Spending

In your industry, with its record of successful planning for growth, it is perhaps presumptuous of me to suggest that improved methods could be developed. I raise a question, however, whether it might be possible to work toward providing a little more than the normal added capacity in periods when capital supply seems likely to be relatively easier or cheaper and, perhaps, slow down a bit when the reverse were true. Such a course would be desirable only if management were persuaded that business cycles are not entirely a thing of the past, and recent experience would seem to validate this assumption. And, too, this would represent merely a deviation from the long-term trend accepted as any particular company's requirement and plan. With skill and courage — and a bit of luck—such a procedure might remove some of the most extreme pressures of raising capital.

In your industry—even as in banking—adequate capital is essential to our freedom and flexibility. Too little capital to meet the needs and wishes of the public, both customers and investors, will invite unthinking criticism. And a ready, willing, but not necessarily able bureaucracy can be expected to step in and take over in any such eventuality. If the question of private versus public power is to be clearly resolved in your favor, as we hope it will be, then the independence which stems from a strong, adequate capital structure must be high on your priority list.

In an inflationary situation such as we seem destined to live with over the years ahead, it is clear that the provision of capital requirements of industry will be a continuing challenge, calling for all the financial acumen of management. In this process, the commercial banks will be ready to do their part, working closely with your industry as they have in the past. We have both profited by the relationship which has allowed many of your companies to borrow as you spent, awaiting what seemed to be an auspicious time to sell securities. This is the kind of arrangement which should continue to be valuable in the future which we have dimly portrayed.

It is equally apparent that such an inflationary environment calls for the most enlightened and intelligent top management leadership which we in business and industry are capable of providing to our companies, our communities and our citizens. To the implementation of this leadership, your industry, with so many customers and stockholders throughout the land, is in a unique position to contribute — to help in slowing or reversing the inflationary trend whose outcome would be ruinous if it proceeds too far. The alternative could eventually be bigger government and more controls over business enterprise — including both management and labor. This is an alternative with which you are not unfamiliar and one which we must seek to avoid at all costs if we are to achieve the promise which our future holds.

Now With Scranton & Co.

(Special to The Financial Chronicle)

WATERBURY, Conn. — Henry D. Burrall is now associated with Chas. W. Scranton & Co., 170 Grand Street. He was previously with the R. F. Griggs Company.

With Keller Bros.

(Special to The Financial Chronicle)

BOSTON, Mass. — Steven R. Burke, Jr. is now connected with Keller Brothers Securities Co., Inc., Zero Court Street.

New York Stock Exch. To Take Census of Shareowners

Keith Funston, President of the New York Stock Exchange, has announced plans for the most extensive research project ever undertaken by the Exchange —a 1959 Census of Shareowners.

G. Keith Funston

Results, he said, will be available late next Spring.

"After thousands of man and machine hours have been spent analyzing an estimated 400,000 IBM cards, we will have a new count — and a new portrait — of the American stockholder," he declared.

"We will learn the composition and geographic spread of the stockholding population. And we shall also establish such facts as the age, occupation, income level and education of the people who own American business.

Mr. Funston disclosed the Exchange's plans in a commencement talk at St. Lawrence University.

Mr. Funston told the graduating class their future would be profoundly influenced by a sweeping change that American capitalism is now undergoing.

"A great economic revolution," he declared, "is quietly taking place."

He pointed out that in the past the growth of industry was measured by the willingness of comparatively few people to take great risks. More recently, he said, that growth has been accompanied by the economic risk-taking of masses of people.

"The direct ownership of our economic might — our tools of production—has broadened enormously. Millions of individuals from every walk of life and every income group have channeled their savings into stock investments.

"This development of a People's Capitalism is unique in history. Never before has a major economic power extended the concept of ownership—so successfully or so voluntarily — to so broad a base."

He cautioned, however, that we need "to improve the investment climate in America."

In recent years investors have been treated with "apathy, indifference and undernourishment," he said. "Time and again, our tax structure has ignored the investor's right to a fair profit despite the risk he undertakes."

He said that our tax laws "discourage individual investing at a time when we should be doing the exact opposite," and urged that capital gains tax and the double tax on dividends be eased.

Discussing the projected census, Mr. Funston recalled that the first shareholder census showed that in 1952 slightly less than 6½ million people owned the shares of publicly - held businesses. A second major survey in 1956 showed a 33% jump to 8.6 million.

The 1959 census, Mr. Funston said, will use research techniques that were first utilized in 1956 and have been refined since then.

"They provide," he stated, "far greater accuracy than is possible through more conventional survey methods."

Discussing the broad scope of the new census, Mr. Funston said:

"We shall survey over 5,000 publicly - held companies with about 8,000 different stock issues outstanding. We shall ask the assistance of 1,000 brokerage firms and all the stock exchanges in the United States and the one in Hawaii.

"In addition, we will enjoy the cooperation of the National Association of Investment Companies and the National Association of Securities Dealers."

Mr. Funston said that "the events of the past year, particularly our emergence into space, have shocked us into realizing that we had better regard intellectual talent as a prime national resource."

Stressing the need for inquiring minds, a lively curiosity and a creative intellect, he noted that in the years it took the graduating class to move through high school and college, multi-billion dollar industries have grown up.

"Electronics, synthetics, rocket fuels and space missiles," he said, "are a few of your contemporaries. Others are on the way. And to handle this advanced technology, it's abundantly clear that we must rely largely on college - trained people.

"Do not think, incidentally, that I mean just technically - trained people. Our long-range need is for the full man—adaptable . . . imaginative . . . trained to think."

Mr. Funston—himself the former President of Trinity College—offered the graduating class four yardsticks by which to gauge their experience at St. Lawrence and to measure their futures:

First, he asked: How well do you work with others? "The complexity of today's business organization," he said, "requires team work in the most literal sense. Tomorrow's executive must be able to express initiative within the framework of an organization."

Second: Can you demonstrate creative ability—the capacity, in other words, to range beyond the immediate job?

Third: Have you learned to exercise measured judgments, to get the facts, and to relate them accurately to the diverse problems that are part of each major decision? Mr. Funston commented that economic and social relationships are so intertwined that "only people capable of disciplined thinking—and capable, I might add, of understanding history, philosophy and literature as well—are ultimately going to succeed."

Fourth: Do you have firm beliefs and the ability to articulate them? The Exchange President declared: "Courage will be expected of you — along with the willingness to cling to basic convictions and the capacity to express new ones.

"Your success," he concluded, "will be linked to your capacity to think creatively . . . to work effectively with others . . . and to express your beliefs with courage and conviction."

Merrill Lynch Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Leopold Korins has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, 18 Milk Street.

Now With Pressprich

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert E. Fallon has become associated with R. W. Pressprich & Co., 75 Federal Street. He was formerly with Smith, Barney & Co.

Joins First Southern

(Special to The Financial Chronicle)

ATLANTA, Ga.—Ben R. Chalkley, Sr. has joined the staff of The First Southern Corp., 652 Peachtree Street, N. E.

Continued from page 33

Where Do We Go From Here—And How Do We Get There?

Court of Errors, the highest court in the State.

Issue of Public Park vs. Power Plant Site

This has been a dull recitation of legalistic maneuvers for which I apologize. But it helps to set the stage for the real struggle for public understanding. The principal argument of our opponents was that the presence of the power plant would depreciate the value of their property. They realized as early as 1953 that to gain public support for their cause they had to adopt a more positive approach. This took the form of an attempt to sell the citizens of Norwalk that Manresa Island was needed as a public park, complete with boat moorings, swimming pool, beaches, playgrounds and all. While the legal battle was going on in the courts, the whole question was, in effect, put up for public referendum at the time of the municipal election last November. The question which the opposition forced on the ballot by petition read "I am in favor of the City of Norwalk acquiring Manresa Island for recreational purposes, if feasible." In order for this expression of opinion to become a directive to the City Council to act, the majority of the votes cast on the question would have to be "yes," and—more important from a practical standpoint, the "yes" votes would have to total 25% of the total registered voters.

Our lawyers advised us that even if the opposition got enough "yes" votes to win, the City could not condemn the property we owned because it was already held for public use. Last summer our political advisers said that in all probability the opposition would have enough "yes" votes by the time of the election in November to outnumber the "no" votes, but that it would be very unlikely that enough people would actually vote on the question to fulfill the 25% qualification. Last September we had a professional survey made to determine the public attitude toward the referendum. This showed that 43% favored the City condemning Manresa Island for recreational purposes. Twenty-three percent were against condemnation by the City, and 34% had no opinion. In other words, of those expressing a positive reaction, the opponents were leading by about two-to-one.

The situation posed a real question of policy for us. Both the legal situation and the political situation seemed to say that we had only to keep quiet and we would survive by default. Should we take the chance of trying to win public support for our position in the face of what seemed to be rather tough odds? This was a question no court could answer for us in the orderly procedure of law. This was a question we had to answer ourselves in the give-and-take of public opinion. This was a matter of public relations in the purest and coldest definition. Should we answer the question? Could we afford to face the question? Could we afford NOT to face it?

Sample Advertisements

A few of the paid advertisements run by the opposition will give an idea of the climate, of the heat and the hatred in which we had to live.

The first sample advertisement shows that our testimony that the proposed plant would not be a nuisance did not cut much ice with our opposition. Their illustrations of the plant continually pictured conditions that any self-respecting plant engineer would have been ashamed of 50 years ago.

The next ad does not say anything about the more than 98% of the fly ash that the electrical and mechanical precipitators will remove from the stack gases. While the figure of 5.4 tons of ash discharged per day is about correct for the ultimate development of the plant, the illustration is misleading to say the least.

Air pollution from fly ash and also from wind-blowing coal dust from the pile constituted the favorite argument used against the plant. It was treated in many different ways, all of them pretty effective. This one says:

"Coal dust and fly ash for breakfast every morning."

"Do you prefer fly ash or cinnamon on your toast? According to testimony of President Knapp of the Connecticut Light & Power Company, there will be 5.4 tons of coal dust and fly ash (not cinnamon) shot into the Norwalk air every day when they build their grimy, 26-story power plant where our Manresa Park should be. Add to that the dust that will blow off 5 acres of powdery coal.

"Have you ever tried keeping your curtains clean, shirt clean, clothes line clean, lung clean, automobile clean—in a city living in the shadow of a monster like this power plant will be? Other Connecticut towns have turned away this power plant and so can you. You can keep Norwalk clean and healthy if you will go to the polls Nov. 5 and vote YES to SAVE MANRESA PARK."

Another ad shows a variation of the same theme. The figure of $3.84 is the opposition's calculation of the per capita tax saving resulting from the increase in the grand list which will be afforded by the plant.

We wondered what we should do about this new and obviously professionally-planned onslaught. We were conditioned by public utility traditions to ignore it. But that wouldn't make it go away.

Stated the Case Directly to the Public

We decided to fight for what we believed in. We decided to go directly to the anonymous and amorphous public to state our case, to ask for understanding. We actually took an active part in a political operation.

In our advertising we stressed the financial benefit of the plant to the City of Norwalk. We pointed out as often as possible the many things that the citizens of Norwalk wanted which could be bought with the extra tax money from the new plant—better roads, better schools, a new police station, etc.

The next ad again points up the financial importance of the plant to the City by citing the loss of a million dollars to Norwalk because of the five-year delay in starting construction.

They bought ads, we bought ads. They had bumper stickers, we had bumper stickers. They took to the radio, we took to the radio. I never knew there were so many ways to get a message across.

And you know what? We won by more than two-to-one. The total number of registered voters in Norwalk at the time of the election was 31,637 and the total vote cast on the question was 17,029 which was more than the total vote cast in Norwalk during the 1956 presidential election. There were 11,424 "no" votes to 5,605 "yes" votes. In other words, the people of Norwalk were opposed to the City taking our site for park purposes by a very impressive majority.

Reach the Thinking People

Both sides, as I have said, used all the familiar mechanics of public relations, press relations, and publicity operations. But it is too simple to say that we won "by enlisting public understanding." I am not sure that "The Public" is anything more than a political or pseudo-statistical expression. All I know for sure is that some of the things we did, or said, or stood for, somehow reached the **thinking** people, whose own understanding created public decision that could finally be tabulated on a voting machine. We learned that you can't possibly reach everybody but you can reach the somebodies who really make up the public mind.

So the heartening thing to me is not the blunt arithmetic of the vote, but that it was possible for a public utility to step into the arena of public opinion—and find it had friends. Even more important, that it was possible for a corporation to move, and breathe, and compete in the atmosphere of ideas.

For our industry, as well as all business, this crashing of the thought-barrier, means some new concepts on our part. Indeed, "where we go from here," may well be conditioned on "how we get there."

I am glad to report that a few weeks ago the Connecticut Supreme Court of Errors upheld the decision of the Superior Court, and construction of the Norwalk Harbor Plant has finally begun.

Public Understanding

In our business, fraught with the struggle between truly public utility operations and government power, we need public understanding more than ever. That means we need "eggheads," and in this I find I am not alone.

That most staid, yet lively, publication, "The Saturday Evening Post," had this to say in its April 26 issue: "For sometime, we Post Editors have been deeply disturbed by the obvious—and obviously dangerous — chasm that separates the intellectuals of our nation from the millions of citizens whose attitudes and opinions determine national policy and set the standards for national behavior.

"The intellectual, or 'egghead' (as we carelessly brand him) has deep reservations about the ordinary layman . . . The rest of us, meanwhile, struggle with the more routine problems . . . mistrustful of the 'egghead' who has never 'met a payroll' or a sales quota.

"Obviously a bridge is needed. . . . bridges across which ideas can travel."

Well, to my editorial friends who have long had to meet the payroll of ideas, this new "Post" approach was significant in its acknowledgement of the importance of the thinking, articulate minorities. My company's experience in the Manresa situation was a flight into the area of ideas. It was an indication of the importance of thinking minorities in their formation of opinion and action.

Yet I do not believe that our industry can move forward area by area. I do not believe that the best of local, public understanding can be simply added up to a national total.

There are people here today, I am sure, who honestly believe that the best of all national programs is a composite of good local operations. I can agree that no national programs can succeed without honest local exemplification. But I do not think that we can satisfy our national necessities by simple addition of local accomplishments.

Certainly, each of us is bound to defend and project our common concepts in our own areas, but there are national needs which are more than the sum of all our Manresas.

Participation in Four National Activities

The way in which our industry carries on its national program is always a subject for lively debate. It is not my purpose to argue the merits of how it is being done or how it might be done better. I do, however, want to express my own belief that the existing arrangement of four national activities, each with specific jobs to do, offers a flexible and effective means of working toward our objectives. Maximum progress can only be made, however, by active participation in all four. We are a long way from that goal as is shown by the following tabulation:

Companies who are members of Edison Electric Institute, Electric Companies Advertising Program, Public Information Program, and the National Association of Electric Companies serve 35.7% of all customers of companies having more than 1,000 meters.

Companies who are members of THREE of the above groups serve 33.4%.

Companies who are members of TWO of the above groups serve 14.3%.

Companies who are members of ONE of the above groups serve 14.7%.

Companies who are members of NONE of the above groups serve 1.9%.

While only about one-third of the industry's customers are now served by companies who are participating in the four national organizations, I would like to point out that, if those companies who are now members of three of the four became members of the fourth group, the proportion jumps to well over two-thirds, a very healthy majority. Because I am continually surprised to find how few of our utility people know what the cost of participating in these national activities is, I am going to give the breakdown for our company for 1957.

The four-group total represents less than one-tenth of one percent of our electric revenue and — as we say about electricity itself—it is one of the biggest bargains in our family budget.

It is evident that we do not need to worry too much about selling EEI to the industry. With a few exceptions, EEI **is** the industry and its value is fully appreciated. Those of us who have played some part in one or more of the other three undertakings are likewise convinced that each has a significant and important role to play.

So in conclusion I offer my answer to the question of "Where Do We Go From Here and How Do We Get There?" We are seeking, and I believe we are capable of obtaining, far greater public understanding and support of our private enterprise philosophy than exists today. The way to that goal is two-fold—first, doing the best job we can and recognizing our responsibilities as citizens in the communities we serve; second, **through cooperative action on all four fronts at the national level. May I urge those of you who are not now 100% in this second category to reconsider your position in the light of the present situation. There is abundant evidence that our industry has made important progress in its efforts to win public confidence. The recent ruling of the Internal Revenue Service concerning the nondeductibility for tax purposes of ECAP expenses which was instigated by Clyde Ellis, Estes Kefauver, et al, shows that the government giant power crowd is running scared. If there was ever a time when a united front at the national level was needed to keep the ball rolling, it is now!**

Cost to the Connecticut Light & Power Company of Membership in National Electric Utility Organizations for 1957

(CL& P Co. Electric Revenue—$65,437,974; Meters—319,264)

Edison Electric Institute	$14,664
Electric Companies Advertising Program	24,737
Public Information Program	7,200
National Association of Electric Companies	5,247
Four-group total	$51,848

Debentures of Federal Intermediate Credit Banks Offered

The Federal Intermediate Credit Banks on June 17 offered a new issue of approximately **$134,000,000 of $1\frac{3}{8}\%$ nine months debentures, dated July 1, 1958 and maturing April 1, 1959. Priced at par,** the debentures are being offered through John T. Knox, fiscal agent, and a nationwide group of securities dealers.

It was also announced that an issue already outstanding with a maturity of Nov. 3, 1958 was reopened for $15,000,000 and was sold at a premium for delivery July 1.

Proceeds from the financing will be used to refund $106,400,000 of $4\frac{5}{8}\%$ debentures maturing July 1, 1958 and for lending operations.

D. F. Greene Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Carl S. Doney has been added to the staff of D. F. Greene & Co., Russ Building, members of the Pacific Coast Stock Exchange.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Wm. D. Blake and Barry W. Murphy are now affiliated with Merrill Lynch, Pierce, Fenner & Smith, 18 Milk Street.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Robert S. Jones and Richard R. Roederer are with Merrill Lynch, Pierce, Fenner & Smith, 48 East Gay St.

Keller & Co. Admits

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—David J. Donnelly has been added to the staff of Keller & Co., 31 State Street. He was formerly with Paine, Webber, Jackson & Curtis.

With Kennedy-Peterson

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—George E. Melin, William H. Walther and Richard F. Wheeler are now connected with Kennedy-Peterson, Inc., 75 Pearl Street.

Three With Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Henry W. Grady, Albert M. Hardie, Jr. and Richard D. Murray are now affiliated with H. L. Jamieson Co., Inc., Russ Building. Mr. Grady was previously with Somerset Securities Corporation.

Form Lubart Co.

JERSEY CITY, N. J.—Lubart & Co. has been formed with offices in the Journal Square Building to engage in a securities business. Arnold H. Lubart is President, Treasurer and Secretary. He was previously with Hallgarten & Co.

Winners of the First "Loeb" Awards

"Loeb" financial awards for business and financial reporting are won by David Steinberg of New York *Herald Tribune* and Werner Renberg of *Business Week*. Five other writers are recipients of Special Achievement awards. Speakers at the awards luncheon include Wendell B. Barnes, Federal Small Business Administration head; Governor Ribicoff of Connecticut; Edward T. McCormick, head of American Stock Exchange; and George A. Mooney, New York State Banking Superintendent.

Something new occurred in the annals of Wall Street and financial circles on June 10 , when over 100 invited businessmen and financial writers attended a reception and lunch at the Waldorf-Astoria for the presentation of the "Loeb" awards for distinguished financial and business writing.


David Steinberg


G. M. Loeb


Werner Renberg

Laurence J. Ackerman, Chairman of the Advisory Board on "Loeb Awards" presided as Toastmaster and introduced the speakers.

The 1958 "Loeb" winners for distinguished reporting of business and financial news were: David Steinberg of the New York "Herald Tribune" and Werner Renberg of "Business Week" Magazine, both of whom received $1,000 checks and bronze plaques. Their publications also received plaques.

The presentation of the $1,000 checks and plaques was made to the winners by Dr. Albert N. Jorgensen, President of the University of Connecticut, administrators of the "Loeb" awards.

Edward T. McCormick, President of the American Stock Exchange, and George A. Mooney, New York State Banking Superintendent, were among the speakers.

Bronze plaques were also awarded to three newspaper writers including: Leslie Gould of the New York "Journal-American," George H. Arris and Joseph L. Goodrich of the Providence "Journal-American," and in the magazine field to T. A. Wise for his article in "Fortune" Magazine and J. A. Livington for his writings in "Western World" Magazine.

The "Loeb" awards were established by Gearld M. Loeb, partner in E. F. Hutton & Company, with a grant from the Sidney S. Loeb Memorial Foundation, Inc. as an "Annual tribute to business and financial writing which contributes to a better public understanding and appreciation of our free enterprise economy".

Speaking after the lunch, the refined, young and handsome Governor of Connecticut, Abraham Ribicoff, sounded the spirit and temper of the meeting when he declared: "Gone are the days when a man seen reading a financial magazine or financial section of a daily paper could be classed as a banker or broker. Gone, too, is the day when a financial writer would couch his stories in technical jargon understandable only to specialists," for the reason that "economic changes had increased the need and scope of financial writing." Gov. Ribicoff was joined in his personal tribute to Gerald Loeb for making the award an annual custom by Wendell B. Barnes, Administrator of the Small Business Administration, who said that "businessmen of today must have some understanding of world economics, and you well informed writers of business and finance contribute . . . through constructive comments and factual dissemination of knowledge."

Canadian Bankers Assn. Elects Officers

MONTREAL, Canada — Ulric Roberge, general manager of the Banque Canadienne Nationale, was re-elected President of the Canadian Bankers Association at the annual meeting at Montebello, Quebec. F. W. Nicks, Vice-President and general manager of the Bank of Nova Scotia, was named Honorary President.

E. J. Friesen, Imperial Bank of Canada, G. A. R. Hart, Bank of Montreal, J. P. R. Wadsworth, Canadian Bank of Commerce, and K. M. Sedgewick, The Royal Bank of Canada, were re-elected Vice-Presidents of the association.

Philip K. Bartow to Be Drexel Partner

Philip K. Bartow on July 1 will be admitted to partnership in Drexel & Co., 30 Wall Street, New York City. Mr. Bartow is with Wood, Struthers & Co.

Eastman Dillon to Admit K. E. Hill

Eastman Dillon, Union Securities & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on July 1 will admit Kenneth E. Hill to partnership. Mr. Hill was formerly an officer of the Chase Manhattan Bank.

New Treves Partner

Carl A. Hug will acquire a membership in the New York Stock Exchange and on July 1 will become a partner in Treves & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

Dempsey-Tegeler Branches

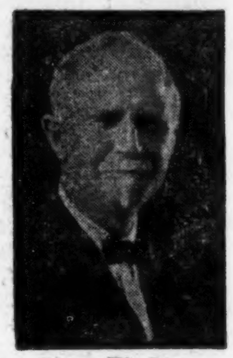
LOS ANGELES, Cal.—Dempsey-Tegeler & Co. has opened two new offices, one at 9030 Sunset Boulevard, Hollywood, under the management of Donald H. Black, and the other at 3285 Wilshire Boulevard with Harold E. Levitt and Martin J. Haims as co-managers.

Outlook For World War III

By ROGER W. BABSON

The possibility that Russia is the root of our recession, and may be able through stepped-up economic warfare to cause more unemployment and business slumps, is raised by Mr. Babson after pondering the possibility that chemical warfare may supplant atomic war as a greater possible threat. Doubts shooting war between U. S. A. and Russia will occur during Eisenhower Administration.

I have long felt that there would be a "shooting" war some day between Russia, representing Communism, and the United States, representing Free Enterprise. Nevertheless, each year in my Annual Forecast I have taken the position that a shooting war would not take place during the following twelve months. I now feel that no shooting war between the Unites States and Russia will take place during the Eisenhower Administration.


Roger W. Babson

If a shooting war with Russia occurs, it must be started by Russia. Because of our retaliatory power I now feel that Russia would hesitate to attack us directly. But some "brush war," such as the Korean War, may touch off a World War III. Such a conflict may occur in South America, though the critical region now seems to be the oil-rich Middle East. Nasser, an able and ambitious man, seems determined to make Egypt the hub of a great oil empire, with Russia as an ally. Should he provoke a conflict, the great oil interests of the United States, Great Britain, and other nations might push us into the fight, while Egypt pulls Russia in.

What a Chemical War Means

Most people now visualize a so-called atomic war. I feel that there more likely exists the possibility of an equally dangerous chemical war. This may occur through various means, such as poisonous gases or bacteriological attacks. Russian publicity centering on their advances in sputniks, missiles, and atomic weapons may well be a cover for more serious work on chemical warfare.

In addition to the closeness in the race for supremacy in nuclear weapons, there is another logical reason for a chemical or bacteriological attack. Russia would probably be more interested in destroying the people of our large cities, leaving industrial equipment, resources, and communication and transportation systems intact. An atomic attack, on the other hand, would reduce entire areas into masses of useless rubble.

Outlook for Economic Warfare

I am now greatly concerned over another possible Russian tactic, namely, stepped-up economic warfare against the United States and her allies, accompanied by more intensive propaganda. In fact, Russia may already be largely responsible for our business recession and the slumps in aluminum, copper, and other commodity prices. Steel prices have withstood the cutbacks in output to 50% of capacity. Russia's supply of this and other commodities is rapidly increasing. Moreover, we must carefully watch the currently high outflow of gold from the United States. A certain use of gold could take the place of gas, germ, or atomic attacks.

Thus, Russia's rapidly advancing technical knowledge could cause severe industrial competition. She has accelerated her program to expand trade with dollar-short Free World Nations. "Gadgets and gimmicks" such as subsidies and tariffs could temporarily cushion us against such competition, but these may further arouse Russian enmity and make things worse. If left alone, this recession could run its course by 1960. But an economic war started by Russia would cause more unemployment and business slumps. Moreover, it could inevitably lead to drastic inflation and may even drive our dollar to 25 cents.

Protecting Against Any Form of World War III

I strongly advise all readers to work for sound economics in their own lives, in business, and in the Government. Young people in the Central West should stay there, and others should avoid locating in large cities, especially along seacoasts. Investments should be widely diversified among the smaller well-run industrial companies, and among companies owning large reserves of natural resources underground.

Chain stores with wide geographical and product diversification are very desirable as a hedge against bombing and inflation. Certain well-located real estate could become very valuable. All should build up reserve buying and investment funds, but avoid long-term bonds. Learn about Civil Defense survival suggestions. Finally, I emphasize the importance of sane Religious faith, good health, intensive education, and industry as the best protection against World War III, and as the only hope for survival from any such catastrophe.

du Pont, Homsey Branch

FALMOUTH, Mass. — du Pont, Homsey & Company has opened a branch office at 22 Queens Buyway under the direction of Robert P. Bagg, Jr.

Penington, Colket Branch

PIKESVILLE, Md. — Penington, Colket & Co. has opened a branch office at 1401-07 Reistertown Road with John L. Reynolds as manager.

Chester Apy

Chester Apy, member of the New York Stock Exchange, passed away on June 6. In the past Mr. Apy had been an officer of Carl W. Stern & Co., Inc. of San Francisco.

With Drexel & Co.

Drexel & Co., underwriters and distributors of securities, announces that John J. Knox and W. Montague Geer, III have joined the firm in the New York office, 30 Wall Street, as registered representatives.

LETTER TO THE EDITOR:

Detroit Securities Dealer Flays Market Vocabulary Terms

A plea that we realize what we are saying when we use certain market vocabulary phrases is made by Mr. Fordon in bringing-up and scrutinizing the usage of the terms: growth stocks, defensive securities, and technical position or situation.

Editor, Commercial and Financial Chronicle:

This is a growth stock is an assertion frequently made. A few years ago the hackneyed phrase was that this is a gold bond. The latter expression of course is no longer heard but the former appears everywhere *ad nauseam.* Does anyone ever buy shares not expecting or hoping for growth? What is a non-growth company? It seems that the time has come to discover other descriptive phrases. It may be good salesmanship to harp on growth but the term has become almost as unimaginative as long time, no see.

Another word in tiring use is defensive. That is an ingenious phrase, defensive securities. It is as though defensive securities are on the ramparts now and, when safety is assured, down they come and the attacking force takes their place. It is as easy as that. Is sounds like a mere mechanical re-arrangement to insure investment in the right place at the right time. It has a warming feeling and it seems to endow securities with relaxing and therapeutic qualities. It is almost like a magic drug or a favorable astrological sign but it is a kind of hocus-pocus which is becoming a little boring.

Among all the abracadabra of the stock market, what is more esoteric and mystifying than the term, technical position or technical situation? Here is presumably something measurable and scientific, and completely incomprehensible.

Probably every activity has to use catch-words. The old ones are easier than finding new ones but they begin to pall after so much repetition. To use unaccostomed phrases might be bad for business and old catch-words are hard to cast aside. So let us go on with the hokum.

Cordially,
RALPH FORDON

Fordon, Aldinger & Co.
Penobscot Bldg.
Detroit 26, Mich.

Continued from page 32

A Broad-Gauge Employee Information Program Is Mandatory

lieve in them. Otherwise, continued training of employees on the economics and operation of the public utility business will fall on barren ground.

Management must know whether the training given employees is accomplishing the purpose, namely, that their area of economic understanding is being widened. How can we determine that real results are being obtained? This can be done by requiring each employee to answer a set of questions on the subject before the program is started and again requiring the same set of questions to be answered upon completion. In this way a real measurement of the increase in understanding can be had.

Several of our companies have had the foresight to adopt or by force of circumstances have undertaken broad-gauged employee education. They have found it to be a rewarding experience—both in terms of settling troublesome local situations and in cementing the valued ties between management and employee.

Refers to Surveys Made

Comparative surveys have shown what employees absorb and the better understanding gained on important issues as against the knowledge of others not similarly schooled.

Take, for example, one company's experience when recent acquisitions of properties afforded a direct measure of comparative understanding. In the new areas acquired, an educational program had not been in effect as it had among the other employees. They found that:

(1) One-fourth fewer employees in the new areas than among company employees as a whole knew that TVA did not pay the same taxes as the electric companies.

(2) In the newly acquired areas one-half more than the company average had no opinion as to whether TVA paid any interest on government money it uses.

(3) Of those who did answer that TVA has not proved satisfactory as a "yardstick" for measuring rates, a smaller proportion in the newly acquired areas gave such specific reasons as the tax and interest subsidies TVA enjoys.

(4) Less than half as many in the new areas as the average knew that REA co-ops and municipal systems have preference over the electric companies in buying power from Federal projects.

(5) Twice as many in the newly acquired areas as the average said that REA co-ops and municipally-owned systems pay the same taxes as the electric companies.

(6) About one-third fewer than average said that the best way to control floods and conserve water is by small dams and soil conservation methods on the small watersheds rather than by large multipurpose power generating dams on the main streams.

(7) Fewer employees in the areas recently acquired said they had heard or read of the proposals for TVA revenue bonds, fewer knew about using the atom to produce electric power and in one of the newer areas, an average number, and in the other, twice the average proportion said the Federal Government should build nuclear generating plants.

Experience in these instances shows that where their employees have become thoroughly informed they have a higher record of discussions of company and industry problems with other people. This is highly significant and conclusive evidence that, given an informed personnel, a vast number of the public can be reached in a friendly intimate way. It is in such an atmosphere of friendliness that public approval of our business can be cultivated and activated most readily.

Explains Methodology

A good many methods have been tried for imparting information to large groups. Perhaps the most successful one is the lecture and group discussion method. Groups of employees of perhaps 30 to 40 are brought together on **company time** and a program undertaken by trained conference leaders and lecturers, who are preferably employees from supervisory ranks and generally in the middle strata of supervisory levels. The training of the conference leaders is a most important phase of this operation. He may devote full time or part time to the program, depending upon how the particular utility management desires the program to be set up. It can not be emphasized too often that these educational programs be done on company time. This gives it stature and serves as notice to the employee that the company considers it important business. While employee turnover in the utility business is relatively low, nevertheless in the course of a few years a substantial number of new employees will have joined the company and they too, at some suitable time after becoming an employee, should be given this educational program. Thus, an employee information program becomes a never-ending job of education.

After employees have been given the essentials of the American economic system, the program should then be expanded to cover the public utility business in general and finally take up the many facets of the company's affairs in particular. These programs should be comprehensive and cover every phase of the company's operations.

I would recommend that the preparation of an employee information program on the utility business and Your Company be introduced with a statement of and a discussion of the "Objectives of America's Electric Light and Power Companies." This is a statement of the principles and policies intended as a guide to show the electric power industry can continue to operate within the framework of the free enterprise system. The statement was recently adopted by the Edison Electric Institute directors for the use of the management of member electric utility companies. These 11 objectives are:

(1) To serve the American people with a dependable supply of electricity to meet their needs.

(2) To plan effectively to meet future requirements.

(3) To sell electricity at the lowest practical price.

(4) To maintain adequate earnings and a sound credit standing.

(5) To raise at the lowest practical cost new capital required for new facilities to serve their customers.

(6) To operate under the present system of government regulation.

(7) To work with agencies of government in carrying out appropriate functions where electric power is concerned.

(8) To further the application of electric power to human needs through research, promotion, and cooperation with all segments of the electric industry.

(9) To operate within a framework of good employee relations, policies and practices.

(10) To operate as good citizens both locally and nationally.

(11) To help develop and strengthen the economies of the communities served.

An employee information program should include a history of the company, a description of the geography of the company's operations and of the physical property and how it is operated. This would entail a description of the company's organization and how the departments of the company are inter-related and how each job fits in with every other job. Such a program should include an analysis of the company's revenue and expense components and of its balance sheet and of the methods which have been used in financing the company's operations. The economics of the business should be thoroughly discussed; who its suppliers are and where its materials, supplies and fuel are secured; and a discussion of the dollar flow back into the community of payrolls and supply purchases, which directly affect the economy of the area served. A discussion of the company's relationships at all government levels and the importance of the company in helping to solve community, industrial and economic problems are other subjects. The methods by which the company communicates with its customers and the company's policies and programs which it has developed in rendering day-to-day service quickly and effectively and in emergencies would form an important part of such a program.

Finally, a well-rounded employee program should include a thorough discussion of the relations of government to our business. Perhaps this should be introduced by an elementary discussion of American Freedoms including the history of freedom, the guarantees afforded by our constitution and the methods which must be pursued by our citizens to keep our freedoms from being invaded by delegated authority. A thorough analysis of public power as it applies generally to the public utility industry in the country and specifically its effects, short and long range, on the employee's own company; the preference clause and how it works; tax and other subsidies which are offered to public power; all should be carefully and thoroughly presented. And, of course, Atomic Power and its impact and potentials should be included as well.

Let me emphasize again, in any presentation of an employee information program, the employee's knowledge of the subject should be tested in advance of the introduction of the subject and should be again tested upon the completion of the program. It is only by this method that the management can be assured that the training processes have been effective and strengthened in those areas where deficiencies may show.

Stresses Comprehensiveness

To do less than a comprehensive job in employee training will fall short of the objective. And to do a comprehensive job will take time in preparation and in presentation. The company's day-to-day operations must continue. The employee's interest must be aroused and his interest maintained. Too long an interval of time between presentations will serve to dissipate interest and too short an interval may interfere with the company's operations. The suggestion has been made that an hour a month for the general employee is about the maximum interval that should be set in order that the total job can be accomplished in a reasonable time. What is a reasonable time? It will be difficult to compress the wealth of subjects into less than 30 sessions. This would require 2½ years of minimum complete coverage at the rate of one session per month for each employee group. I have the feeling that once we have proceeded this far, the very great value of these efforts will become apparent and new areas of effective understanding will claim attention. Thus again the enormity of the job and its importance is emphasized.

Our supervisory employee should not be overlooked in setting up an employee educational program. Every company has a program, formal or informal, for the training of supervisors in the operations of the company's business as such. Many companies do not have an educational program of training supervision in advanced economics and practices concerning business generally and specifically applicable to the utility business. I call your attention to the Public Utilities Reports "Guide and Leaders Manual for Supervisory Employees of Utilities." It is an excellent course covering 50 subjects on the non-technical side of our business. The United States Chamber of Commerce has a study course for supervisory employees consisting of 17 pamphlets on the American Competitive Enterprise Economy for use by economics discussion groups.

And may I again emphasize that employee education is of such importance that it should be lodged in a department which is sufficiently staffed to train the conference leaders and lecturers who are to be charged with the responsibility of carrying out the program. This work should be given status at the vice presidential level. This will serve to emphasize generally to the employee and also the public the importance of this phase of the company's operations.

Foresees Long-Term Problem

The most important long-term problem facing the electric utility industry is the continued invasion and growth of public power in our field of endeavor. in the long-term view, Congress must answer to the weight of public opinion and an informed public opinion starts with the individual voter. The individual voter is also our customer. Every employee of a public utility should believe in the cardinal principle that electric service to the public can be rendered better, at the lowest over-all-cost and more efficiently by private industry than a government agency. The employee is the key to a properly informed public of these facts. It is our duty as executives and supervisors in this industry to assemble and present the necessary facts, to see that every employee is completely informed and to instruct him in the manner and ways of transmitting these facts to the public. National surveys shows that only 8% of our customers say that they have been talked to by an employee. This 8% should be advanced to 75% in a 5-year program. An employee information program is the one most effective way to accomplish the job of stemming the tide of invasion of public power in our business and of preserving the American economic system. If the utility industry succumbs to the public power threat, then the natural gas industry, the oil industry and other extractive industries will be next in line.

If an employee information program is placed in charge of top level management, is adequately staffed, and a thorough training program instituted to cover the entire personnel in every company, the morale and *esprit de corps* of every utility will be greatly improved and the level of understanding by the public of the electric utility industry will be immeasurably increased. If we can reach a goal whereby 75% of our customers know and talk to our employees, who are thoroughly trained in the knowledge of the American enterprise system and of the public utility industry, we can solve the problem of invasion of the government in our business and reap the benefits of an organization with an ever-increasing efficiency in the conduct of our business in service to the public.

Thirty years ago we dismissed lightly the theory that governmental policies were leading to destruction of our freedom. Today we no longer have a theory—we have the condition. Can the already destructive damage be undone? Can further erosion be arrested and prevented? What can

we as responsible people do about it? These are the questions I ask you to consider. The problem is up to us and to every thinking citizen.

Perhaps the most effective effort we can make is to provide the way for our employees to gain a better understanding. Given a better knowledge of our American System and the important role our industry plays in our national scene we should urge them to make their views known to their friends and associates within the civic and social circles their voices reach. They should be encouraged to lend their support to public officials of integrity who stand for the preservation of a free America. We must recognize that it is the decisions of the millions of our people, each exercising his own individual right of expression that in the end determines the kind of nation we are ultimately to have. Our industry is very close to every community we serve—our employees are a living part of the thousands of communities we serve throughout the land. So we fortunately have the means of reaching into these communities in an intimate way.

Sees Close Tie

There is, in my opinion, a close tie between understanding of the issues and good citizenship. And there exists an abiding relationship betwen good citizenship and improvement in our social and economic system. It takes but a moment's thought to realize that the peoples of the world have maintained dignity and decency in their relationships with others in proportion to the degree to which they have been able to hold to democratic principles. Progress, in its broadest human sense, has been greatest in those countries where reason prevails over force, where the general welfare is paramount and the limited interest of minorities is subordinated.

In the final analysis, the task we face is one for the individual. If we are to meet it successfully we must actually believe in what we say and our beliefs must find expression in action. Apathy and complacence are luxuries we can no longer afford. We must be willing to match by our efforts the fanatical fervency of the collectivist planners who are hard at work—day and night. If we expect to enjoy the blessings of freedom we must be willing to pay the price—to undergo the arduous work of supporting it. This we must do if we are to restore those principles which Lincoln called for—"that this nation, under God, shall have a new birth of freedom."

We are going to need a staggering amount of power in the decades which lie ahead. I believe most strongly that the best answers to the problems of research, technology and indeed all areas of knowledge affecting human progress will be found in what we know as the American way.

We must guard against those erosive forces which unchecked will undermine and destroy the structure of liberty, the process of attrition about which more than 2,000 years ago Aristotle warned when he wrote—"one thing takes the place of another, so that the ancient laws will remain, while the power will be in the hands of those who have brought about revolution in the state."

The horizons of the future are as boundless as human understanding and free men can make them.

Let us accept the challenge to America's future they present, realizing that "for anything worth having one must pay the price; and the price is always work, patience, love, self-sacrifice — no paper currency, no promises to pay, but the gold of real service."

New Officials of the Edison Electric Institute

Twenty-sixth Annual Electric Industry's Convention elected J. E. Corette as President and Allen S. King as Vice-President of trade association for forthcoming 1958-59 year.

J. E. Corette, President and General Manager of the Montana Power Company, has been elected President of the Edison Electric Institute by its Board of Directors. Elected as Vice-President was Allen S. King, President of the Northern States Power Company, Minneapolis, Minn.


J. E. Corette


Allen S. King

Installation of the new President and Vice-President was made at the closing session of the Institute's 26th Annual Convention, held at Boston, Mass., June 9-11.

Newly Elected Directors

The newly elected members of the Edison Electric Institute's Board of Directors, with terms expiring in 1961, are:

J. K. Busby, President, Pennsylvania Power & Light Co., Allentown, Pa.

D. C. Cook, Vice-President, American Electric Power Co., Inc., New York, N. Y.

E. W. Doebler, Chairman of Board, Long Island Lighting Co., Mineola, N. Y.

R. R. Dunn, President, Potomac Electric Power Co., Washington, D. C.

C. E. Eble, President, Consolidated Edison Co. of New York, Inc., New York, N. Y.

F. I. Fairman, President, Kentucky Utilities Co., Lexington, Kentucky.

P. A. Fleger, Chairman of Board, Duquesne Light Co. Pittsburgh, Pa.

D. E. Karn, President, Consumers Power Co., Jackson, Michigan.

D. S. Kennedy, President, Oklahoma Gas & Electric Co., Oklahoma City, Okla.

E. D. Sherwin, President, San Diego Gas & Electric Co., San Diego, Calif.

N. R. Sutherland, President, Pacific Gas & Electric Co., San Francisco, Calif.

L. V. Sutton, President, Carolina Power & Light Co., Raleigh, N. C.

W. F. Tait, Jr., Vice-President, Public Service Electric & Gas Co., Newark, N. J.

William Webster, Executive Vice-President, New England Electric System, Boston, Mass.

C. H. Whitmore, President, Iowa-Illinois Gas & Electric Co., Davenport, Iowa.

The Directors term of office that will expire in 1959 is J. Lee Rice, Jr., President, West Penn Electric Co., New York, N. Y.

Mr. Corette's Background

Mr. Corette succeeds J. W. McAfee, President of the Union Electric Company, as head of the nation's electric utility trade association. He was Vice-President of the Institute since last December when Mr. McAfee succeeded Mr. Donald S. Kennedy who resigned at that time after being re-elected President previous June, 1957.

Mr. Corette has been President and General Manager of Montana Power since 1952.

Born in Butte, Montana, Mr. Corette received his early education in the schools of his home city. He attended Montana State University in Missoula, and was graduated from the University of Virginia with a law degree in 1930.

For the following 14 years, he was actively engaged in the practice of law throughout Montana, and has been a partner in the law firm of Corette, Smith & Dean from 1934 to the present.

In 1934, he became counsel for Montana Power, serving in that capacity until 1944, when he was elected Vice-President and Assistant General Manager of the company. He became a Director in 1948 and was elected President and General Manager four years later.

In the Fall of 1957, the U. S. Department of State designated Mr. Corette as the United States Delegate to the 15th Session of the Committee on Electric Power, one of the principal subsidiary bodies of the United Nations Economic Commission for Europe. The Committee met in Geneva, Switzerland, last October, and Mr. Corette participated in studies of such matters as the transfer of electric energy across frontiers and problems of rural electrification. He also served as principal spokesman for the United States at the fifth session of the Committee's working party on rural electrification during the same period.

Extremely active in business and civic organizations in the United States, Mr. Corette is a Director of the Federal Reserve Bank of Minneapolis, a Director of the National Association of Electric Companies, and a Trustee of the Endowment Foundation of Montana State University. He is a member of the United States Chamber of Commerce and a past Director of the National Association of Manufacturers.

Akers & Hicks Open

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Cal.—Raymond W. Akers and LeRoy V. Hicks have opened an office at 5435 Atlantic Avenue to engage in a securities business.

Wm. D. Greschner Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif. — Wm. D. Greschner Co. has been formed with offices at 1108 East Washington Avenue to engage in a securities business. Officers are William D. Greschner, President; Fred V. Bennett, Vice-President; David E. Keller, Treasurer; and R. E. Greschner, Secretary.

Eugene Stark

Eugene J. Stark passed away June 11 at the age of 59. Mr. Stark. who had been in the investment business for many years, was with Bruns, Nordeman & Co.

Two With Purvis

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Donald M. Bell and Glenn A. Allred have joined the staff of Purvis & Company, Equitable Building.

With First Fidelity

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Henry W. Bridges, Quarles K. Kerce and Dwight J. Wiseman have joined the staff of First Fidelity Securities Corporation, 11 Pryor Street, Southwest.

Five With James Fallon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Leonard J. Friedman, George I. Guccione, Glenn A. Paul, Samuel Smith and Scott S. Smith are now with James L. Fallon Co., 7805 Sunset Boulevard.

Continued from page 31

Is Your Top Management "Tops"?

you are the chief executive officer of your company, you may want to guide your staff in doing this. Don't you agree that this is an essential step in making your top management "tops"? Here are a few examples of modern methods used by all too few companies to reduce costs. While no company names are given, they are readily available.

Machine Records and Work Measurement

Centralized billing on machines is now quite general, but it is only recently that machine posting of cash records at centralized locations has been developed. It mechanizes one of our most tedious routines, that of maintaining current daily records on the status of customers' accounts receivable. It involves daily posting, along with cash controls and balancing for thousands of accounts. One company with over 400,000 accounts claims a saving for its mechanical cash posting in 1957 of $50,000 from 1954 costs despite salary increases of 12%. A second company with about 600,000 customers estimates annual savings of $150,000. A third with over 300,000 customers, which is now installing this method, expects annual savings of at least $50,000 with a possibility of substantially more.

Without adequate control the volume of office work continues to grow inordinately and the number of office workers along with it. In the humorous but provocative and popular book, "Parkinson's Law," the author states it this way, "Work expands so as to fill the time available for its completion."

One answer to the problem of burgeoning office work is office work measurement which, although not an exact science, has become something of an art. Using the services of a consulting firm in applying office-work-measurement techniques, a large metropolitan utility has reduced its office personnel by one-seventh despite a 10% increase in work load.

Rough work measurement of the do-it-yourself variety in a clerical section of a Northeastern utility in which 26 people were studied indicated that the work could be done by 20 people, a 24% reduction. The work force is already down to 22, with a substantial improvement in morale because most people like to be fully loaded with work. The reduction was carried out through normal attrition or by transfer, so that no one was discharged. Imminent retirements of two people will complete the personnel reduction.

In a talk entitled, "The Long, Hard Fight to Control Overhead Costs," Richard Neuschel, of McKinsey & Company, gave examples of office personnel reductions of 40%, 50%, and 12%, the last associated with a work increase of 25%. He stated that each of these companies is a leader in its industry, with a sound long-term earnings record and a reputation for being well managed. Then he made this striking statement, "It has been my experience and that of my associates that there are few companies of any size which do not have hidden savings opportunities of at least 25 to 30% in their overhead costs." Whether or not this quotation is applicable to utilities, we cannot overlook the opportunities for cost savings in office work.

Inventory Control and Dispatch Computers

Inventory control is another fertile field for savings. Almost all electric companies have what they call inventory control, although in many instances it is only the setting of maximums and minimums on the various stock items. Does the inventory control system in your company recognize such factors as the cost of carrying material, of processing an order, of economical order quantities, of obsolete material stocks, and other costs?

In one company with three years of real inventory control behind it, there has been an adjusted price decrease in inventory value of $800,000, or 18%, with approximately another $500,000, or one-third, reduction in capitalized stock costs. This represents an annual saving of $130,000 in carrying charges alone, despite the fact that 1957 disbursements were $1½ million above those of 1954.

The economic dispatch computer as a load dispatching tool first came into use four years ago. Since that time about 15 have been installed or ordered by electric companies. This equipment, with ability to take into account bus bar costs, transmission losses, and tie-line deviations, saves money and simplifies the work of the load dispatcher. A company having over 3,300 megawatts of steam capacity, the first system to install this device, states that it saves at least $400,000 per year; the last system of which we know, estimates annual savings that will repay the investment in one-and-a-half years.

Here are two other examples employing automation techniques:

One is the installation, in the older portion of a power station, of a rather complete centralized information system of the kind normally found only with newer equipment. The result was a reduction in the operating force of from 54 to 41 men, thereby releasing 13 men for the operation of two new units at the same station. So in spite of almost doubling the station capacity from 264 mw to 486 mw, the total number of operating personnel required remains the same.

The other example is that engineers of one company have employed electronic computation of turbine heat rates in order to optimize the scheduling of turbine overhauls. These techniques not only minimize the possibility of error but also release skilled technical manpower for other work.

Another means of cost reduction comes from objective study of the best number of districts and divisions, the best boundary lines for them, and the best location of service centers and regional headquarters. One company, as a result of thorough study, combined three former districts into one, built a modern, centrally located district service center, and saved over $100,000 a year.

Here's another along the same line. A study showed that a particular company could reduce the number of divisions and of districts by one each, without hurting services to customers. The changes were conservatively estimated to result in a net decrease of $187,000 per year in operating expense.

Improved Engineering

Some utility companies can benefit greatly by improving their engineering. Proper engineering standards and design hold capital costs down and contribuite substantially to operations improvement.

We should have open minds and should be alert to recognize soundly based engineering trends and to embrace them at the proper time. For example, the practicability of employing steam at super-critical pressures of the order of 4500 psi and 1150° F has already been demonstrated. A recent study by one manufacturer indicates that significant fuel savings are possible from further increases in pressure and temperature up to 10,000 psi and 1450° F, respectively. It is not suggested that you should adopt these ideas but, rather, that they be studied as to their suitability for your situation. Also, in this country 345 kv transmission is already a well accomplished fact and 500 kv is under test. Whether and when to go to extra high voltage transmission are matters for very careful consideration. Engineering advances such as these, if adopted at the right time and if applicable, contribute greatly to over-all company efficiency.

The question may well be raised as to whether we need much more standardization industry-wise. We suffer from the tremendous variety of engineering practices throughout our industry, some of which must be unnecessary. Let us consider this further.

In planning system expansion we naturally utilize to the greatest possible extent the present plant investment of over $37 billion; so existing facilities tend to be weighted very heavily when we are planning new facilities.

Investment Projections

But history shows that about three-fourths of present plant investment was made in the past 20 years. Based on forecasts of our growth, we can expect that about three-fourths of the investment in 1978 will have come in the 20 years ahead of us. In planning future systems, therefore, the weighting might well shift toward the new facilities.

Here's just one example in a field in which our industry spends $200 million a year. While substantial standardization progress has been made in distribution transformers, we still find a large number of voltage ratings in use today and many transformers that must have different combinations of taps to permit their use on systems of essentially the same voltage class but of slightly differing operating voltage levels. Industry-wide standardization of a single primary feeder voltage somewhere between 22 and 35 kv would provide a tremendous savings to the industry.

If the roughly 600 different varieties of distribution transformers which must be manufactured and stocked today to meet our needs are to be held constant let alone decreased, then *now* is the time to do something about it. This is just one example of a challenging opportunity to reduce costs through a bold but realistic approach to standardization.

Within many companies, engineering standards carefully prepared, kept up to date, adequately disseminated, and made mandatory as to use make possible substantial savings. And other standards can help, too.

One company has done a magnificent job in reducing the number of different types of distribution transformers it purchases from 50 to only seven, with obvious savings in investment in transformers as well as in other purchasing, warehousing, and clerical costs.

In the marketing field it's difficult to associate better methods with cost reduction. Better methods may involve cost increase and frequently do—but certainly they involve better results for money spent. In addition to the ever-present need for good management to help assure this, there are some basic attitudes and practices that make for better results and that should be given serious consideration.

In the commercial and industrial sales fields greater beneficial use can be made of such mass-selling devices as conducting do-it-yourself courses for personnel of customers and trade allies. These sales aids have a big leverage effect and turn trade allies and customer employees into salesmen for us.

In the residential sales field greater progress is now being made than ever before in coordinated selling by all branches of our industry. But many of us haven't yet taken advantage of the benefits of pulling together and of using plans, programs, and materials carefully developed and packaged for our use and available at much lower cost than any partial substitutes we could contrive ourselves. To be "tops," sales management should give careful thought to using the EEI-NEMA coordinated calendar, to implementing the fine HOUSEPOWER program locally, to participating in the Medallion Homes program, to having an organized approach to the home lighting market with use of the Better Light, Better Sight programs, and to supporting the proposal that EEI assume dynamic leadership in promoting Live Better Electrically on an industry-wide basis.

It's no longer a rarity for electric companies to have area development programs to encourage industry to build in their service areas. But not all companies have yet realized that area development may properly encompass much more than merely industrial development. For example, it may call for a broader approach to make the area a better place in which to work and play and raise one's family. That, in turn, calls for active community betterment with utility leadership to provide city beautification, youth programs, cultural and recreational facilities, better municipal services, good land use planning, and the like.

Top management can't be "tops" without carefully studying what it can best do to build its business in all major markets and to make its service area more attractive to business and industry.

"Work simplification," "better methods," "methods improvement," or whatever name is given to training company personnel in the basic ideas of the concept of cost reduction, is an important means of improving efficiency. It has been defined as "the organized use of common sense by the man on the job to find easier and better ways of doing work." Its underlying philosophy is that there is *always a better way* and that a systematic search for better ways by those doing the work is bound to be more fruitful than a hit-or-miss approach. Through such training one electric company estimates a saving of $2.58 for each dollar spent; another estimates that its saving was as high as $1 million in one year.

And now before closing, let me, like others before me, emphasize the losses and inefficiencies that result from our divisions and from our non-participation in, or lukewarm support of, organizations dedicated to the benefit of our entire industry. Assuming 200 companies as the eligible base, EEI has almost universal support, with 94% of companies and 95% of meters represented in it. But NAEC has but 56% of companies representing 78% of meters; ECAP has 56% of companies with 62% of meters; and PIP, 35% of companies with 50% of meters.

It is not suggested that every company should be in every one of these organizations but that this subject deserves careful review. Certainly if all these groups had membership as representative as that of EEI, they could do more effective work and could reduce their charges as well. Where membership is appropriate, support of these organizations is a two-way street. Benefits accrue not only to the industry but to the individual companies as well. Participation puts management in a better position to intelligently direct company affairs and help to inform, to inspire, and to motivate company representatives working with these organizations.

Is your top management "tops"? Certainly we have not given you the answer to that question. At most we can hope to have provided a partial check list to stimulate your own objective appraisal. The crux of the matter is that we should be fully aware of the importance of operations improvement and of increasing our efficiency and that its accomplishment should be recognized by management as one of our greatest opportunities and one of our greatest challenges.

That's what can make public utility management more stimulating, more exciting, and more challenging than it has ever been in the history of our industry, both for those of us who have management responsibilities now and for those who will follow us and who will be at the helm of our industry when the first 100 years roll around in 1979. What we do today will determine how confidently they can say then, "Power Is Our Business."

Caldwell Company Formed

Richard M. Richards is engaging in a securities business from offices at 60 Sutton Place, New York City, under the firm name of Caldwell Company.

With Merrill Lynch

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Sheldon Baumoel is now with Merrill Lynch, Pierce, Fenner & Smith, 216 Superior Avenue, Northeast.

Joins H. Carroll Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Garry Hochman is now connected with H. Carroll & Co., 324 North Camden Drive.

Fabian Adds to Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—John W. Charleville has been added to the staff of Fabian & Company, 9500 Santa Monica Boulevard.

With H. Hentz & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—John F. Walsh, Jr. is now affiliated with H. Hentz & Co., 9680 Santa Monica Boulevard.

New Westheimer Branch

GREENSBURG, Ind. — Westheimer & Company has opened a branch office in the Murphy Building under the management of George F. Redelman. Mr. Redelman formerly conducted his own investment business in Greensburg.

Joseph W. Davis, Jr. V.-P. of Bieder Co.

ST. PETERSBURG, Fla. — Joseph W. Davis, Jr. has been elected a Vice-President of Bieder & Company, 3006 Central Avenue, members of the Philadelphia-Baltimore Stock Exchange.

Wm. P. Hoffman Admits

Wm. P. Hoffman & Co., 111 Broadway, New York City, members of the American Stock Exchange, on June 2 admitted Warren F. Winter to partnership.

Two With Fallon

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Kent Peterson & E. George Triphon are now with James L. Fallon Co., 7805 Sunset Boulevard.

Joins Merrill Lynch

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Eichard E. Ryan has joined the staff of Merrill Lynch, Pierce, Fenner & Smith, 523 West Sixth Street.

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The Place of Public Relations In Modern Management

know. Second, it is important to explain.

Let People Know and Explain Stressed

Even when we know our action will have a *good* public reaction, it is important to publicize the action. Doing a good job in the best way possible is not enough. A good deed doesn't necessarily speak for itself. There is no beaten path to the door of the better mousetrap builder who hides his light under a bushel.

For the individual, modesty may be a virtue, but there are few companies that can afford this luxury—for long.

It is important to explain lest there be any chance that your policy or action can be misinterpreted. We assumed that Glen Springs would welcome the obvious (to us) benefits of a General Motors plant. We overlooked the fact that to our prospective neighbors there were certain obvious (to them) disadvantages.

It is important to let people know, to explain, even when a contemplated action is sure to have a bad public reaction. We have found to our sorrow that if we don't announce the closing down of an operation and don't explain it, the union will. Unfortunately, the union explanation is seldom the same as ours.

It has been said that from the standpoint of public relations the important thing is not what you do or are but what the public thinks you do and are. Without subscribing to this rather cynical philosophy, the fact must nevertheless be accepted that for us the shadow often looms larger than the substance. And if the shadow happens to be reflected off a—shall we say—oblique surface—one that is not foursquare, the result may well be a quite distorted image of the substance.

It's like those mirrors in the fun house. "Business prudence" becomes "capitalistic greed"; "enterprise" changes to "aggression"; "efficiency" distorts to "ruthlessness." Qualities you had always considered virtues suddenly are made to appear most reprehensible.

Some years ago one of our plant managers was invited to appear before a citizens' committee engaged in an important community study. For good and sufficient reasons—the plant manager had to determine if any helpful material could be made available—he delayed his acceptance. Two months later he still hadn't accepted because the material still wasn't ready.

Then, out of the blue he got a telegram from the committee accusing him of not even giving them the courtesy of an acknowledgment. Fortunately, the telegram was never made public, but if it had, General Motors would not have appeared in a very good light.

In this case the shadow cast would have been our own fault. We had good reasons for delaying, but we didn't stop to think what other construction could be put upon our failure to reply. We didn't visualize the local headlines which undoubtedly would have read "GM Flouts Committee."

If you will permit me to change metaphors in midstream, it is my belief that public relations has an obligation to chart a course through these treacherous shoals and reefs of misinterpretation and misrepresentation. It is not enough to be prepared to man the lifeboats. We must call attention to the danger of running aground.

Because we have no psychosonic depth finders with which to detect the submerged rocks and sandbars of public misunderstanding that may lie ahead, this calls for judgment of a high order. Judgment based on experience and compounded with imagination. Imagination is most important because it is only by the use of imagination that we can assess the act of today in terms of the repercussions of tomorrow. In the case of the invitation to appear before the citizens' committee, I am afraid we were guilty of lack of imagination.

At this point I would like to sum up in one sentence what I am afraid it has taken me a good many paragraphs to say:

Good relations with the public derive from doing a good job, doing it in the right way (beginning with the initial management decision) and seeing to it that people are properly aware of the job done by means of a good Public Relations activity.

That's a pretty long and involved sentence so let's try again: Good public relations (with a small "p" and a small "r") result from sound decisions effectively carried out and implemented by good Public Relations (with a capital "P" and a capital "R").

PR As Preventive Medicine

How does one know when one's relations with the public *are* good?

Public Relations in its positive sense may be likened to preventive medicine. Both Public Relations and preventive medicine attempt to prevent situations from arising that may lead to unpleasant results. Neither can be sure that these unpleasant results would have arisen if the preventive measures had not been taken.

In terms of large groups and over long periods of time benefits are evident from both preventive medicine and Public Relations. We know that people on the average live longer than they use to. We know that the public standing of General Motors has improved over the years, and we think that Public Relations can claim a measure of credit.

As of any particular moment, the evidence is not so clear. It is almost as difficult to interpret the pressures of public opinion as those that make our weather. We do, however, have certain barometers, weather vanes, cloud formations and other signs available. By putting them all together, we get some sort of a weather map of public opinion.

In our case, we keep tabs on what people are writing and what reporters are saying. News media and newsmen reflect public opinion and they also *affect* it.

Our representatives in the field serve as effective listening posts in their respective communities. Their reports are valuable indicators of what is developing in the "grass roots" of public opinion.

Other indicators of the public standing of a company are opinion polls. Public opinion is a complex thing, the product of many, often opposing, influences. And polling itself is a tricky business. For one thing it assumes that the public always has an opinion. Unfortunately, the sad fact is that on many subjects and issues many people are opinionless. Even more unfortunately, they won't admit this to the pollster. That is why you can always get expressions of conviction on non-existent issues—such as: Are you for or against the Utility Service Act?

The label on the public opinion poll package should always read, handle with care. Even so, the polling technique is useful in measuring attitude trends and, in some cases, for exploring specific public issues. We use it, and I know you do too.

Now, I would like to carry another load of coals to Newcastle by telling you about several projection techniques (I can talk the language too) we have found useful in our public relations activity. I have labeled these techniques, possibly because I am fond of alliteration—precision, punch and people.

Projection Techniques Described

First, "precision." By precision I mean acting at precisely the right moment. In public relations, knowing *when* is almost as important as knowing *what*. Bad timing can all but cancel out the effects of a good policy. On the other hand, proper timing can greatly increase the public impact of any action.

An example of good timing occurred this spring when we released our first quarter profit figures. They were down substantially from last year, but it so happened that our two principal competitors had put out their figures a short time before and they were down even more than ours were. The contrast made our report appear quite favorable. Unfortunately for my point, I can't claim that this example of timing was the result of any deliberate action on our part. We were just lucky.

The second technique we have found it useful to give emphasis to in our public relations work is "punch." I mean by that putting the extra zip into a project to lift it out of the ordinary and make it catch and hold public imagination. Punch calls for a flair for the dramatic and the unusual.

For example, several years ago one of our statisticians told us we were about to produce our 100 millionth Diesel horsepower. We put punch into that statistic and came up with the General Motors Powerama, a show which ran for 26 days in Chicago and was visited by more than 2¼ million persons. Our Motoramas put punch into the introduction of new models, and this year we are putting punch into our 15th anniversary with a series of Golden Milestone events.

The third technique I want to call to your attention I have labeled "people." A company is judged more by the personal contacts of its people than by any other one thing. Because of this, public relations as an activity cannot be carried on exclusively by a single staff, department or section. Its effectiveness is measured largely by the extent to which *all* of the people in the organization understand its objectives and participate in carrying them out.

Ideally, all contacts with the public should be on a personal, a person-to-person basis. This is, of course, an unattainable goal, except perhaps in the case of the very small company, but it must be kept ever in mind. The objective should be for every person in the organization to constitute himself or herself an ambassador of good will.

Generally speaking, we have developed a pretty good diplomatic service in General Motors—right from the top on down. Many of our executives have an instinctive knack for good public relations. Others have learned the value of acquiring skill in its practice. However, fortunately for us who make public relations a full-time activity, our executive group has other tasks that keep them busy most of the time.

In our plant cities our community contacts are good. Our people are active in seeing to it that General Motors is identified as a good neighbor. This is largely accomplished by virtue of the fact that our people themselves are good neighbors. Several years ago we made a study and found that about 2,000 GM executives were active in some six thousand local organizations.

Many executives also do a considerable amount of public speaking—which, I suppose is second only to the person-to-person contact as an effective public relations tool. The speaker communicates directly with his audience. He can project his personality—which we must assume is an advantage. The audience can ask questions and receive answers. And, finally, the speaker has the opportunity before and after his talk of mixing with his audience and establishing personal contacts.

I consider this participation of the people of an organization in its Public Relations activities so important that I would almost go so far as to say that an organized staff can accomplish little of lasting value without it. We may write the score, supply the instruments and handle the baton—but it is the musicians in the orchestra who furnish the music.

I must say I feel it is a trifle superfluous to tell you these things, because I have noticed the electric industry is already doing an outstanding job with a variety of techniques.

For example, you do a far more effective job with people than we do. This is partly because of certain fundamental differences between your industry and mine.

Direct Contact With Public Compared

General Motors has little direct contact with the users of its products—as customers. We do rub elbows with customers who are neighbors in cities where we have plants. And we do meet with small groups at special events and occasions. Our finance subsidiary comes in contact with customers as borrowers, but the relationship of borrower to lender is hardly a firm enough one to support much public relations weight. By and large, the only direct, person-to-person contacts our customers have are with dealers, who, of course, are independent merchants.

Personally, I would give my eye teeth to have available your contacts, even your service and meter-reader contacts. You are most to be envied though for your local executive representation in so many of the communities where you do business.

Sam Smith is active in civic affairs and service organizations. He appears on local platforms. He helps raise funds for worthy charities. Inevitably, the "company"

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becomes personified by good, old Sam Smith. What people think of **him** is what they think of the company.

Even your service interruptions have a silver lining. They are usually the result of an act of **God**, not the carelessness of an assembler or mechanic. And there's a lot of plus value in those dramatic stories headed: "Crews Toil Through Night" or "Power Companies of Four States Rush Aid."

You have the opportunity for regular monthly mail contacts with your customers. We have to make an effort just to get the names of ours.

Let us go a little further in analyzing our respective industries from the public relations standpoint.

Both of us, I think, recognize the value of investors. But you are more concerned with **potential** investors because you must go to the capital markets more often than is the case in our industry.

Physical plant is more important in your industry than in ours. Your capital invested per worker is approaching $100,000. Ours is somewhere in the area of $15,000.

By the same token, we have more employees. In fact, General Motors alone has more employees than your entire industry. This is one reason why in our case employee relations is an activity entirely separate from Public Relations. However, we recognize that the two are closely linked, and our Vice-President in charge of Employee Relations and I operate as a team on most projects. We decided long ago that it would only waste time to try to figure out where Public Relations begins and Employee Relations leaves off.

We do not have your problem of regulation—as yet; and this, I believe, is one reason why an industry-wide Public Relations activity is important in your case to supplement the work you are doing as separate companies. Your major problems are industry problems; ours are company problems.

When I rather rashly agreed to undertake this assignment, I asked your able and energetic managing director for some material about the electric industry. One of the pieces he sent me was a booklet entitled, "Our Most Pressing Problem." I was intrigued by this title because, believe it or not, General Motors has a most pressing problem too.

Your most pressing problem, I discovered, is the problem of government encroachment. I was even more intrigued, because our most pressing problem—and I am talking about long-term, not short-range problems—is bigness.

In my opinion, your problem and ours represent two aspects of the same problem.

It would be presumptuous of me to discuss the electric industry's problem, but you may find a brief discussion of our problem of interest.

This problem of bigness is not a new one. My predecessor in General Motors listed it as the first problem he wanted to solve when he set up a Public Relations activity in General Motors in 1931. It is the first one on my list too, but I suspect the only way we ever really will solve it is to stop being successful.

Just as you have accepted the role of a regulated monopoly in the classical sense, so have we decided that it is foolish to seek to hide the fact that we are big. Instead we concentrate on positive benefits that have resulted from our growth and progress.

People seem to forget that success in serving the consumer necessarily means growth. They also forget that a big country, big jobs—some of them imperatively important, as during wartime — require **big** companies. We are as far removed from the day of the community wagon works as those of the one-community lighting plant.

Rather than throwing roadblocks in front of successful organizations which grow big, it would seem better to weigh the size of a company in relation to its services to the consumer. The purpose of competition is to benefit the consumer and not the competitor. So far as the consumer is concerned, he benefits more in many cases from competition between a few large companies than from competition among many small, weak ones.

Surveys have shown us that the public likes our products and the things we do but they are distrustful of our size and the power they assume goes with it. I think they would be disabused of this assumption if they knew how carefully a big company has to tread. Or if they realized what high visibility we have. Or how easy a target we are for any crusader with an arrow.

A perennially popular arrow is the theory that large companies drive small companies out of business; that big business and little business are like oil and water—they don't mix.

Nothing, of course, could be further from the truth. No industry has done more to foster small business than ours.

General Motors alone has 26,000 suppliers. We have 18,000 automotive dealers. We have helped spawn hundreds of thousands of small enterprises—service stations, motels, taxicab companies, hot dog stands, trucking concerns and so on.

Many supplier companies could not exist without the large end-product fabricators who are geared to provide a national market for their output. On the other hand, many perform a service that a big company could not perform. We are seeking to educate the public to a better understanding of how industry functions in this country as a complicated mosaic of overlapping and interrelated producing and distributing teams.

In concluding these remarks I would like to make the perhaps obvious point that one of the most important links in this network of teams are the electric companies. It is you who have so largely made it possible for man to have machines to do his work for him. You are destined to become an increasingly important supplier to us as we make further progress in technology.

I am sure that each of us will continue to be beset by many public relations problems and that in many cases they will bear marked similiarity to each other.

I am equally sure that in your case, led by your alert Institute, you will continue to make of each problem an opportunity for improving still further your relations with your publics.

I only hope that we can do as well.

Gallagher Roach Offices

COLUMBUS, Ohio—Gallagher-Roach & Company have opened a branch office at 968 North Hill Lane, Cincinnati, Ohio, under the management of John P. Roach, and in the Kirn Building, Lancaster, Ohio under the management of Ken Carpenter.

N. Y. Bond Club Outing

Field Day Prizes — June 6, 1958

GOLF

Ex-Presidents' Cup (Low Gross) —Allen C. DuBois, Wertheim & Co.; Albert C. Purkiss, Walston & Co., Inc.

Candee Cup (Low Net)—Eugene M. Geddes, Clark, Dodge & Co.; John C. Maxwell, Tucker, Anthony & R. L. Day.

Christie Cup (Match vs. Par)—Howard Halligan, Cyrus J. Lawrence & Sons; Robert Clark, Calvin Bullock, Ltd.

2nd Low Gross—Wesley Stanger, Riter & Co.; C. Edward Graffmueller, Pyne, Kendall & Hollister.

2nd Low Net — John Hilson, Wertheim & Co.; John Weinberg, Goldman, Sachs & Co.

3rd Low Gross—J. Burns, Blyth & Co. Inc.; Lee Stack, Bankers Trust Company.

3rd Low Net — Evans Morgan, Hanover Bank; Alfred Coyle, Hayden, Stone & Co.

Low Net: 1st Nine—Ike Granger, Chemical Corn Exchange Bank; William Renchard, Chemical Corn Exchange.

2nd Nine—Robert Harter, First Boston Corporation; James Morrison, First Boston Corporation.

Most Net Birdies — Hal Cook, Spencer Trask & Co.; Reg Pressprich, G. H. Walker & Co.

Low Net Par 5s — William H. Morton, W. H. Morton & Co., Incorporated; Robert R. Krumm, W. H. Morton & Co., Incorporated.

Longest Drive — William H. Morton, W. H. Morton & Co., Inc.

Nearest Pin 17th: 1st — Arne Fuglestad, Burns Bros. & Denton, Inc.

2nd—John Weinberg, Goldman, Sachs & Co.

3rd—Robert Fisher, Blyth & Co. Inc.

Seniors: Low Gross — R. M. Craigmyle, Craigmyle, Pinney & Co.

Low Net — William Pidgeon, Paine, Webber, Jackson & Curtis.

Putting Contest—Philip Bartow, Wood, Struthers & Co.

Thursday: Low Gross — William Todd, Kuhn, Loeb & Co.

Low Net — Robert Gardiner, Reynolds & Co.

TENNIS

Winners — Marvin Levy, Lehman Brothers; Enos Curtin.

Runners Up — Wallace LaTour, Merrill Lynch, Pierce, Fenner & Smith; Paul Hoffeman.

Consolation — E. J. Dieckman, Bankers Trust Company; Edus Warren, Spencer Trask & Co.

HORSESHOES

Winners—Paul Sipp, Jr., Stern, Lauer & Co.; Arthur Allen, F. S. Smithers & Co.

Runners Up — Paul Sipp, Sr., First of Michigan Corp.; Haden Werham, Beech Aircraft.

TRAP SHOOTING

Winner—Charles Morse, Hemphill, Noyes & Co.

Winner Handicap—Albert Quist, Glore, Forgan & Co.

C. H. Whitney

C. Handasye Whitney, partner in Harris, Upham & Co., passed away June 12th at the age of 80. Mr. Whitney, a former member of the New York Stock Exchange, conducted his own brokerage firm in New York until 1950.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The attrition in the June refunding operation of the Treasury of only $356 million was much better than expected and as first reported. Despite this favorable showing it is still believed in some quarters that the cash payout would have been smaller in the absence of the June 15 income tax payments. The large turn-in of the maturing June issues for the 2⅝% of 1965 was something of a surprise. However, this short bond has a good position in the Treasury list and the size of the issue is not considered to be a drawback since it is not likely to be reopened for future financing. The 11-month 1¼% certificate appealed to those who were interested in a near-term more liquid obligation.

Investors Favor Liquidity Policy

The demand for short-term Government issues continues to be strong (witness the 15th cut this year in commercial paper rates), and even in spite of the efforts of the Treasury to extend the maturity of the debt through the offering of long-term bonds, the flow of funds into the most liquid issues goes on unabated. Because the future course of the money market will be determined in no small measure by the type of financing the Treasury does, some investors are inclined to stay close to the sidelines for the time being awaiting developments.

Market Acting Constructively

The Government market is fitting the recently offered securities into the general market pattern, although at the same time it is looking with more than a weather eye at the future. The August refunding is becoming more of a market factor with the passage of time, while in the same vein, the deficit new money raising operations of the Treasury is also coming in for attention. In spite of the huge financial operation, which involved the June 15 income tax payments, the settlement of the refunding and new money raising obligation, the market for Treasury issues has been on the constructive side, even though the range of these price movements has not been wide.

In the first place, it takes time for new issues which have just been introduced to the market to be digested by ultimate investors. In the current situation, this appears to be the case with respect to the new 3¼% bonds due 1985. Just how large the floating supply of this issue is a subject of considerable conjecture. However, it is believed in many quarters that it will not be cut-down too much until the future financing plans of the Treasury have been brought out more into the open.

The 2⅝s of 1965 Quickly Absorbed

To a lesser extent this condition also applies to the 2⅝% of 1965, although it seems to be the consensus of most money market specialists that this short bond has been very well taken, especially among the smaller commercial banks and particularly those that have sizable amounts of savings deposits. These institutions, according to advices, are not inclined at this time to extend maturities very much, because they do not want to repeat the mistakes which were made not too many years ago when they went in too heavy for the long-term Treasury obligations in order to build up earnings. These bonds were the first to decline when interest rates were tightened, and prices of these securities went into a long and protracted period of decline.

Treasury Debt at $300 Billion Expected

It is evident that the Treasury will be very much of a force in the money market in the coming fiscal year, not only because of the refunding operations but also because of the new money which will have to be raised in order to finance the deficit of the Government. With the present trend continuing, which seems to mean bigger and bigger Federal Government deficits, there will have to be another increase in the debt limit beyond the existing top of $280 billion. There are many opinions around that the public debt will rise to $300 billion within the next two or three years. This indicated uptrend in the Federal debt is being taken to mean by most money market observers that interest rates and credit conditions will continue to be on the side of ease. Whether there will be further decreases in reserve requirements, the discount rate or larger open market operations by the Central Banks will be known with the passage of time. For the present, however, it appears as though open market operations is the course of action most likely to be followed (by the powers that be) in the opinion of certain money market specialists.

The way in which future refunding operations and the new money raising ventures of the Treasury are carried out is going to determine not only the course of prices for Government obligations but also those for corporate as well as the tax-exempt issues. The money market as a whole is waiting to see what will happen.

Bank of Montreal Executive Changes

The Bank of Montreal has announced changes among top executives at its New York Agency, its Ontario division and head office in Montreal.

R. D. Mulholland, assistant general manager in charge of the bank's Ontario division, with headquarters in Toronto, has been appointed deputy general manager of the bank at its head office in Montreal.

Mr. Mulholland will be succeeded in Toronto by John A. Hobson, senior agent at the bank's New York agency. Gordon V. Adams, now an agent at New York, will succeed Mr. Hobson, while Joseph C. H. Kenner, now an assistant agent in New York, will succeed Mr. Adams.

Mr. Mulholland, is a banker of 35 years' experience and has been an assistant general manager since 1954.

Mr. Hobson entered the bank in 1923. He has been senior agent in New York since 1955. Mr. Adams joined the Bank of Montreal in 1922, and has served at the New York agency since 1953. Mr. Kenner has spent his entire business career of 38 years at the New York agency.

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Prospects for Business Recovery And Moderating the Recession

higher rates until some of the new plant began to come into operation. As this new plant raised total capacity and thus dropped operating rates below 85%, income taxes should have been reduced to stimulate consumer expenditures.

The effect of relating fiscal policy to per cent of capacity operation would not only moderate the wild swings in capital investment to which our economy is prone; it would also coordinate monetary flows with real flows. As we began a program of real saving through capital investment, consumers would be forced, through the rise in taxes, to engage in a form of money saving. Later on, as the capital boom leveled off, the place which rising capital expenditures had occupied in their incomes would be filled by rising disposable income because of the fall in taxes.

Finally, to bring this first question to a close, let me say that if this recession has in fact been caused by general over-capacity, then the cure for the recession is not more rapid amortization or any other device to stimulate investment directly. The cure is obviously and clearly a rise in consumer disposable income **not** associated with increased plant expenditures. Consumers did not save us into this recession. The data available to us deny any such explanation. Consumers are doing a good job at present by reducing their savings rate below the postwar average. But there is a limit to how far they can go in this direction. There are only two ways to get out of the recession—one is to increase government expenditures and the other is to give consumers more disposable income. Of the two, there is no question in my mind that an income tax cut will produce a faster, and I believe a more desirable, type of recovery.

Bottom Reached in April or May

Now let me move on to the second question—Has the bottom of the downturn been reached? I think it has. I would put the bottom of the recession in either April or May. Here are some of the items which could be listed to support this view:

(1) Seasonally adjusted production rates in such basic industries as steel, paper, oil, and lumber hit low points in March or April and have shown some recovery in May. Miscellaneous carloadings also made their bottom in March on a seasonally adjusted basis, and have improved somewhat since then.

(2) The entire construction industry has shown real strength during the past month. Heavy construction contract awards, which started the year 35% behind the comparable 1957 figure, have steadily gained on 1957 and recently have moved ahead of the 1957 figures. The rate of applications for FHA commitments and for VA appraisal requests during April reached an almost unbelievably high figure. Conventional residential mortgage lending is also running ahead of last year. The effect is already being felt in the lumber industry where new orders in some recent weeks have been above the comparable 1957 figures and the ratio of unfilled orders to stocks is also above 1957. Dodge figures on construction contract awards rose so sharply in April that the 37 state figures were released in advance of the usual 48 state total.

(3) The amount of decline in new orders received by manufacturers beginning last November was $900 million in the first month, then $700 million, then $400 million, and then $100 million in March, the latest month available. In other words, the decline has slowed each month and may well have stopped entirely in April.

(4) Seasonally adjusted retail sales hit bottom in March, and the advance release shows a sharp rise in April.

(5) Although data are not yet available which would make it possible to calculate the April position of the lead indicators selected by the National Bureau of Economic Research, my own preliminary estimates suggest that 50% of the lead indicators were advancing in late April.

From all of this, it seems reasonable to me to say that the downward path of the economy was halted in either April or May. My guess is that the low point for the index of industrial production will be 125 in May. If we had monthly figures on GNP, their low point would probably have been reached in April.

Now, of course, saying that the low point has been reached doesn't necessarily mean that we are off on a glorious recovery — which brings me to the last question: How rapid will be the recovery, if any?

How Rapid the Recovery?

I have been consistently optimistic during the postwar period about the strength and buoyancy of the economy. The private economy has needed very little help from the government, and has often performed very well in the face of government policies which seemed designed more to unstabilize, than to stabilize, business activity. I have not lost any of this confidence in the basic health of the economy. But I also try to be a realist, and an objective analysis of the present situation leads inevitably, I think, to the conclusion that without some rather decisive assistance from government there is little hope of a strong business recovery in the immediate future.

Suppose, for instance, that the Federal Government provides no further assistance than it has already promised. This would mean that Federal Government purchases of goods would rise, from the first quarter of this year to the fourth quarter, by about $3 billion annual rate. A rise of this amount would be just sufficient to offset the probable decline in business capital spending, so that there would be no net upward effect from these two spending forces.

State and local government spending, however, will rise by about $2 billion, and the encouraging news from the residential construction industry seems to indicate an additional increase of $1 billion from this area. If no further action is taken to stimulate consumer spending, consumer purchases will probably rise about $5 billion by year end. I base this increase on an equivalent rise in disposable personal income stemming from (a) increased pay rates to the military and post office workers, (b) extension of unemployment payment periods, (c) continued pay increases under existing or new union contracts, and (d) the effect of rising government expenditures.

The rise of $8 billion in state and local government, residential construction, and consumer expenditures will improve inventory-sales ratios sufficiently so that businessmen are likely to slow down the rate at which they are liquidating inventories. A rise of only $8 billion in final demand will not be enough, however, to bring the liquidation to an abrupt halt. If we assume that liquidation falls from the $9 billion rate of the first quarter to a $4 billion rate in the fourth quarter, this would permit production to expand by $5 billion *more* than the $8 billion increase in final demand. National output would thus rise by $13 billion above the $422 billion rate for the first quarter, giving us a $435 billion rate at year end.

The $435 billion rate for the fourth quarter is therefore my estimate, based on no government assistance beyond what has already been indicated. The implications of a $435 billion rate in the fourth quarter are these: (1) The seasonally adjusted rate of unemployment will be slightly lower than at present—I would guess somewhere between 5½ and 6% unemployed. (2) There will be no reason to assume a halt in the decline in plant and equipment expenditures, since per cent of capacity operation will still be below normal in most lines. (3) There will be considerable danger of a secondary downward movement, because the continuance of so high a rate of unemployment for so extended a period may well have adverse effects both on business psychology and consumer psychology. (4) The economy will be operating about $20 billion below normal output. That is, every three months which goes by at this subnormal rate will constitute a loss of $5 billion in real goods and services which would be available to the government or to the public if the economy were operating at the usual or normal rate.

Tax Cut Would End Recession Averred

The alternative to an extended recession is a cut in individual income tax rates. If income taxes are cut in June, I believe that the recession will be over within a matter of a few months. On the assumption of an income tax cut in June, my estimate for the fourth quarter GNP would be $447 billion, a rise of $25 billion above the first quarter rate. A rise of this magnitude would not bring unemployment down to normal by year-end, but it would place the economy in a sufficiently strong position so that we could be sure the recovery was soundly based and would not fall back into a secondary downturn.

I am as seriously concerned about the long term danger of inflation as anyone. But I do not believe that inflation can be curbed through holding output at low levels for extended periods. The problem of a balanced Federal budget is not basically a problem of money. If it were, we could balance the budget tomorrow. At bottom, all of us know that the budget can really be balanced only by an increase in the output of the economy, and the sooner this increase in output occurs, the less will be the eventual deficit. As a matter of fact, from a money standpoint, it seems to me probable that a $5 billion tax reduction would actually increase Federal revenues by the end of this year above the level which would be achieved without the tax cut.

Now let me sum up what seems to me to be the major aspects of the recession problem: (1) The basic cause of the present recession was the development, by early 1957, of a *general* over-capacity. (2) Although a good case can be made for long run reform in the tax treatment of capital depreciation and business profits, the current recession will not be cured through devices designed to stimulate capital investment. (3) Businessmen cannot be expected to increase capital investment until final demand rises substantially above present levels. (4) This recession will be ended, as other recessions have been, by a rise in final demand. (5) The bottom of the recession appears to have been reached in April or May. I do not belong to the six months club, nor the fourth quarter club. The best bet for the turning point appears to me to be the second quarter. (6) The future rise in Federal Government demand will necessarily be slow, and will be sufficient only to offset the effect of declining capital expenditures. (7) Even without a tax cut, consumer purchases will rise slowly over the rest of the year. (8) Without a tax cut, GNP is likely to hit a $435 billion rate in the fourth quarter. (9) A $435 billion rate in the fourth quarter will mean 5½ to 6% unemployed, and the loss of $5 billion in real goods and services every three months. (10) An income tax cut of $5-7 billion would end the recession within a few months, and would increase both real output and money incomes so that the eventual Federal deficit would be smaller than if taxes are not cut.

Evan Ragland Offices

JACKSON, Miss. — Evan L. Ragland & Co., Inc. has opened a branch office at 105 East Peace Street, Canton, Mississippi under the management of J. Tom Lutz, and at 104 Howard Street, Greenwood, Mississippi under J. A. Smith.

Form Equalized Estate

WHITE PLAINS, N. Y. — The Equalized Estate Ltd. has been formed with offices at 201 Main Street, to engage in a securities business.

Mrs. O'Neill to Address Pace Institute Alumni

Mrs. Rose O'Neill, registered representative with Harris, Upham & Co., members of the New York

Mrs. Rose O'Neill

Stock Exchange, will discuss market mechanics and investment techniques before 40 alumni of Pace Institute's Business College on Wednesday, June 18 at 5:30 p.m. in the Harris, Upham 99 Park Avenue office.

H. E. Brager in N. Y.

Harry E. Brager is conducting a securities business from offices at 55 West 42nd Street, New York City, under the firm name of Harry Edward Brager Associates.

Metropolitan Inv. Formed

BROOKLYN, N. Y. — Joseph Glassman is engaging in a securities business from offices at 4401 Thirteenth Avenue under the firm name of Metropolitan Investors.

Coleman, Piedimonte With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Harry L. Coleman and Dainel A. Piedimonte have become associated with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. Mr. Piedimonte was formerly Manager of the trading department for Barret, Fitch, North & Co. Mr. Coleman in the past was Trading Manager for H. O. Peet & Co., with which he had been associated for many years.

Harry L. Coleman

Fox & Marshall With Eastman Dillon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Austin Fox and William F. Marshall have become associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. Mr. Fox was formerly Beverly Hills Manager for Sutro & Co. Mr. Marshall represented First California Company in Laguna Beach.

R. S. Dickson Branches

CHARLOTTE, N. C. — R. S. Dickson & Company, Incorporated has opened three new branch offices: In the Piedmont Building, Greensboro, N. C. under the management of J. W. Berry Reid, Jr., in Rocky Mount, N. C. under the direction of B. T. Vernon, Jr., and at 521 Boush Street, Norfolk, Va. under the management of John T. Brown.

Felro Planning Formed

BAYSIDE, N. Y. — Felro Planning Corporation has been formed with offices at 220-39 Seventy-third Avenue to engage in a securities business.

Richard Grab Opens

Richard H. Grab is conducting a securities business from offices at 40 Exchange Place, New York City, under the firm name of R. H. Grab & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Recently there was brought out here the deplorable showing of the underwriting division of a number of the leading fire-casualty insurance companies. This issue will put a better face on matters as it will be the investment income end of the business that will be considered.

But first let us point out that the tornado season has made an early start. The recent one in the middle west in which 27 lives were lost has been rated as a catastrophe. To rate this dubious distinction a windstorm has to pack unusual devastation. The recent one conformed fully with this requirement. If the present rate of tornadoes continues we are likely to see a reversal of the moderately improving trend in extended coverage, this to add to the carriers' troubles. Of course, the frequency of these twisters can slow down, just as that of the seaboard hurricanes did.

We give here the per share income from investments of the customary list of companies for 1957 and 1956, with the present dividend rates. As is generally known, cash dividends of fire and casualty insurance companies are in almost all cases derived from the income that comes from investments. Underwriting profits, when they are present, are retained in the business and contribute to growth.

	Investment Income 1956	Investment Income 1957	Present *Dividend
Aetna Casualty	$8.08	$8.83	$2.70
Aetna Insurance	6.02	6.23	2.60
Agricultural	2.60	2.76	1.60
American Insurance	1.98	2.00	1.30
American Surety	1.65	1.59	0.90
Bankers & Shippers	3.78	3.84	2.40
Boston Insurance	2.58	2.63	1.80
Continental Casualty	3.40	3.86	1.40
Continental Insurance	3.58	3.62	2.00
Federal Insurance	1.55	1.58	0.90
Fid. & Deposit	4.62	4.65	4.00
Fidelity Phenix	3.43	3.48	2.00
Fireman's Fund	3.61	3.83	1.80
General ReInsurance	4.76	5.34	2.00
Glens Falls	2.47	2.60	1.00
Great American	3.51	3.51	1.50
Hanover Insurance	3.36	3.76	2.00
Hartford Fire	7.78	8.34	3.00
Home Insurance	3.54	3.68	2.00
Insurance Co. North America	4.72	4.95	2.50
Massachusetts Bonding	3.86	3.87	1.60
Merchants Fire	3.44	3.76	2.00
National Union	3.76	3.95	2.00
New Amsterdam	6.12	7.18	1.90
New Hampshire	4.00	4.11	2.00
Northern Insurance	5.35	5.69	2.80
North River	2.61	2.71	1.40
Pacific Insurance	3.69	3.80	2.40
Phoenix Insurance	5.82	6.01	3.00
Prov. Wash.	†2.47	†2.49	---
‡Reliance	4.23	4.37	2.20
St. Paul Fire	2.06	2.02	1.20
Seaboard Surety	3.37	3.79	2.60
Security Insurance	†3.21	†3.29	0.60
Springfield Fire	4.30	4.44	2.00
Standard Accident	4.86	5.26	2.00
United States F. & G.	4.75	5.15	2.00
United States Fire	1.77	1.85	1.00
Westchester	2.11	2.22	1.20

*Includes any extras. †After provision for preferred dividend. ‡Formerly Fire Association of Philadelphia.

It is at once evident not only that in a large majority of cases 1957 income was higher than that for 1956, but also that the coverage of the present dividend rates was indeed comfortable. Normally insurance companies tend to be somewhat conservative so far as the ratio of dividend payout to investment income is concerned; but now, with underwriting conditions what they are, managements are unusually frugal because of the need to conserve at a time of bad going for the companies. Also, the accompanying figures are before-taxes.

Speaking in general terms, probably an average tax rate that would be applicable to the investment income of a fire or casualty insurance company would be in the neighborhood of 20%, as only 15% of its receipts of dividends from other domestic corporations is subject to the 52% corporation rate; with other income (bond interest, etc.) being more-or-less fully taxed. Much, naturally, depends on the investment philosophy of the management: a unit with a heavy proportionate commitment in equities would suffer less, taxwise, than one whose portfolio was heavy, relatively, in corporate bonds. One, such as St. Paul Fire & Marine, with a big stake in state and municipal tax-exempts, would find itself in a favored position. But by-and-large fire-casualty Federal tax exposure is not as great as that of most corporations. And, under present underwriting conditions, of course, many of them will avoid Federal tax, as underwriting losses will be of sufficient size to offset investment income tax exposure entirely.

Now With A. G. Becker

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Lawrence Novak has become connected with A. G. Becker & Co., Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Straus, Blosser & McDowell.

With New York Hanseatic

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Eugene J. Ryall has become associated with New York Hanseatic Corporation, 84 State Street. He was formerly for many years with C. J. Devine & Co.

Continued from page 6

The Middle East and Oil Industry

next few years at the same rate they have declined in the past three, then we may soon reach a dangerously low reserve position. It should be clear to everyone—oil men, lawmakers, and public alike — that we cannot continue this course long without increasing reliance on foreign oil.

Not a Problem for Tomorrow

In many quarters there is a tendency to shrug off such considerations as "long-term" factors that have relatively little application to the problems of today. Actually, the speed with which the world now moves requires that we make plans today for whatever it is that we expect to do five years hence, and that is precisely why these factors of diminishing domestic reserves and increasing costs of domestic production should be major determinants in the policies we lay down, and the decisions we make now. Instead, however, we have a domestic oil industry in a condition of angry contradiction. While some segments of the industry go on clinging to a belief in a high degree of domestic self-sufficiency, demanding legislative restriction on the importation of foreign oil into the United States, others, with perhaps more sagacity and self-reliance, have quietly been shifting part of their operations to foreign lands.

Shift to Foreign Production

This movement of United States capital, energy and technology into foreign production has now reached impressive proportions. At the end of World War II there were 28 companies owned in the United States actively engaged in foreign exploration or production. Today there are at least 190 such companies, or individuals, active abroad. The figure of 190 includes 74 large or sizable publicly-owned corporations, 100 smaller companies that are either owned by a few shareholders or are family owned, and 16 partnerships or individuals. Of the 190, one hundred twenty-two are also domestic operators. Altogether they represent a total of 547,647 employees engaged in domestic operations plus an additional 10,000 United States nationals employed in foreign activity. They are owned by 2,696,911 shareholders, and, though this figure represents an indeterminate amount of duplication among people who own shares in more than one company, it is still possible that the number of United States citizens who now have money invested in foreign oil operations may be somewhere in the vicinity of 2,000,000.

In the clamor against imports it has been the practice to imply that virtually all of the American-owned foreign production is peculiarly the province of "the big five internationals," namely, Gulf Oil Corporation, Socony Mobil Oil Company, Standard Oil Company of California, Standard Oil Company (New Jersey) and The Texas Company. This is not true as of the present. For the United States as a nation this is a fortunate state of affairs because it means that while the center of the free world's petroleum power shifts away from the United States, the supply of world petroleum will, to a very satisfactory degree, remain in the hands of companies owned in the United States, directed from the United States, and whose long-term interests are identical with those of the nation.

Significantly there are now 43 companies and individuals, representing a very substantial portion of the total U. S. oil industry, involved in operations in the Middle East. Because of its tremendous reserves and prolific production rates, the Middle East is likely to remain an important center of free world oil operations for many years to come. And as time goes on it may inevitably become of increasing significance to the United States, not only as a source of petroleum, but as an area of increasing U. S. capital investment and, of course, it continues to be a focal point in the interplay of world power politics.

By virtue of its geographical and historical relationships, the Middle East has repeatedly been of great international importance. In modern times, and particularly in the heyday of the British Empire, the British exercised dominant influence in Egypt, the Red Sea and the Persian Gulf; and the importance of the area was essentially due to the fact that it lay athwart the route of empire trade and travel. But today, of course, the prime factor of importance is the region's oil production and reserves.

The political changes in the Middle East following the first World War were very marked. With the dissolution of the Turkish empire, the creation of independent states and mandated territories broke the region into a number of distinct units. After the second Warld War the mandated areas became independent countries and there was little left of the political aspects of pre-World War I days.

The small Arab Sheikhdoms in the Persian Gulf changed their political relationships least. These are the units that have treaties with Great Britain under which they enjoy independence of their big neighbors as British protected states. Eastward of the Arab world, Persia remained much the same but India became independent and Pakistan was created as an independent state after withdrawal of the British from India. All these changes weakened the influence of the European powers, and for one reason or another the rulers and governments of the Middle Eastern countries felt themselves stronger in their sovereign rights than ever before in modern times, and acted accordingly.

Middle East Trouble Blamed on Israel

The establishment of the Jewish state of Israel in Palestine brought about a situation that has for ten years been an increasingly perplexing disturbance, and no doubt the greatest single cause of international trouble in the Middle East. The progress of Nasser's revolutionary course has probably been greatly helped by the Arab-Israeli conflict. The joining of Egypt and Syria created a block of the so-called "have-not" Arab countries, sometimes also referred to as the transit countries because the Middle East oil moving to Europe and North America passes through those countries in tankers or pipelines. The revolutionary aspect of Nasser's government has been more than a little bit objectionable to the governments of the Kingdoms of Iraq and Jordan, and these countries have set up a federation in a defensive more to keep Nasser's revolution from engulfing them. The King of Saudi Arabia, apparently hesitating to align his country with Iraq and Jordan, seems to have been blocked by Nasser's blasts from any immediate action one way or the other. The rise of nationalism has made it easy for the Arabs to rejoice in denouncing "colonialism" and at the same time to fail to have any concern over the West vs. Russia conflict to influence the political and economic life of the Middle East. Further changes will come, no doubt, and if they can come one at a time and without

open conflict, the general welfare of the peoples of the region should be improved, rather than impaired.

The wealth of the region represented by the oil reserves and the returns from the production, for decades to come can be the basis of developments that will give the hard-pressed masses a standard of living far beyond anything they have known in a long history. Peace and stable modern forms of government are required. It remains to be seen if the influence of the West, and particularly the United States, can be such as to let change come without violent eruption between local elements or the world powers.

The oil industry, as we know it, had its beginning in this region in the early years of the twentieth century when commercial production was started at approximately the same time in Egypt and in Persia. Egypt never became prolific but by the beginning of the first World War the importance of the Persian oil production was well recognized by the British. Following the first World War, other international oil interests began paying more attention to the Middle East, and particularly concentrated on Mesopotamia, later to become the Kingdom of Iraq. American, British, Dutch and French interests combined in the Turkish Petroleum Company and in the 1920's started activities on a concession which led to the opening of the Kirkuk oil field in the northeastern part of Iraq. The Turkish Petroleum Company was re-organized into the Iraq Petroleum in late 1928, at which time the famous Red Line provision came into being, which was to have significant influence on oil affairs for 20 years.

1,500 Miles x 400 Miles Oil Province

The success in Iraq and the progressive buildup of operations in Persia led to many new oil concessions being acquired in the region in the 1930's, and to the discovery of oil in Bahrein Island, in Saudi Arabia, and in Kuwait. By the beginning of the second World War it was abundantly obvious to the operators in the region that tremendous producing potentials existed, but the fact was not generally newsworthy. Following World War II, the world became more and more conscious of the importance of the Middle East oil industry as production began moving to markets in increasing quantities and as the character of the fields became general information. At the present, northwestward of the fields in Iraq, Turkey has a little production and may prove to have considerably more, and far to the southeast, in the extreme southeast part of the Arabian Peninsula, an oil discovery was reported in the Province of Dhofar last year. That makes an oil province 1,500 miles in length by some 400 miles wide—a province without compare for reserves and potential.

Under the older concessions and until after the end of World War II, revenues to the governments of the producing countries were on a basis of cash royalty per unit of production. The royalty, while considered generally to be equitable and in keeping with "going prices," did not relate to the market value of the oil. As the oil production of the Middle East increased in volume and as its importance became more keenly understood, and as competition for concessions increased, there naturally arose demands for greater returns to the governments of the producing countries. Thus ideas changed about equitable payments particularly in view of the pattern set by the Venezuelan Government on the basis of the so-called fifty-fifty pattern of sharing of the profits from the operation of the oil producing properties.

Fifty-Fifty Pattern Carried Out

Flat cash royalties gave way to a combination of royalty and income tax for determining payments to the governments. Holders of old concessions renegotiated terms with the respective governments to fit the fifty-fifty pattern. Without exception, I believe all concession agreements in the main producing countries have been substantially amended within the last several years. Renegotiations, although at times difficult and long drawn out, have usually been faithfully carried out. The outstanding exception, of course, was the case of the Persian Government's action in taking over properties and operations of Anglo-Iranian Oil Company, Ltd. in 1951. The re-establishing of operations in Persia under agreement with the International Consortium came after more than four years interruption, during which time the nation was without the important and sorely needed income and lost the market for oil to other producing countries.

Generally speaking, in the past a significant change in the terms of an agreement in a producing country has brought repercussions in the other countries. The Italian Government oil company, commonly referred to as E. N. I., and a Japanese private company have recently entered into agreements with the Iranians and Saudi Arabs, respectively, for concessions with alleged advantages indicated for those Governments not enjoyed under the older agreements. These have caused much comment and speculation as to possible effect on the older as well as future agreements. These have not so far disturbed the presently producing concessions, and it is difficult for me to believe they will do so.

Currently, the significant production is obtained in Bahrein, Iran, Iraq, Kuwait, Qatar, Saudi Arabia, and in the Kuwait Neutral Zone, jointly controlled by Kuwait and Saudi Arabia. During the last ten years total production in these areas has risen from about 840,000 barrels a day to nearly 4,000,000.

Perhaps you are familiar with the various estimates of free world demand for petroleum in the next ten years. Even if these should prove to be optimistic by substantial margins, the outlook is that Middle Eastern production, which has already multiplied by nearly five times in ten years, may be doubled again in the next half dozen years. I will not burden you with detailed figures of reserves for the several countries, which have been stated by various and sundry authorities. It will suffice to say that as a whole the oil reserves of the Middle East would appear to be more than adequate for the production that may be called for in the predictable future.

The Petroleum Department, Chase Manhattan Bank, has published a number of papers on the growth, financial requirements and patterns of the industry which are most interesting. If the estimated free world demands are reasonably near the mark, there will be considerable strain upon the petroleum industry in the expenditures required to find and develop production and create facilities for transportation, refining and marketing. When considering putting Middle East oil into the markets it is apparent that correspondingly greater capital is required in providing the transportation by virtue of the distance it has to be moved. The capital requirement for finding and developing production in the region will, of course, be large, but surely it will be somewhat less than will be the case in other regions.

Looking to the future, political developments and pressures will be important and have their effect on the oil industry patterns along with market demands and the position of available reserves. Next to the experience in the wars, the greatest dislocation the oil industry has had to meet was caused by the Suez crisis when the Canal was closed and the pipeline from Iraq was broken in the Autumn of 1956. This was a crisis in international relations in which the industry and customers of the industry were trapped.

Nasser's Power Over Oil

More recently, in the union of Egypt and Syria we have seen the first formative step toward what Egypt's dictator, Nasser, hopes to extend into a federation of all the Arab states of the Middle East. Since, at least up to now, neither Egypt nor Syria has any petroleum production of consequence, the relationship of this development to the oil industry is not what Nasser may do, or can do, to interrupt production, but rather that his new ascendancy over Syria, through which both Iraqi and Saudi Arabian pipelines run, puts him in a position to hamper the flow of a very large portion of Middle Eastern production to market.

Nasser is resourceful and determined, as his nationalization, and subsequent closing of the Suez Canal under French and British attack has amply proved. In his hands the capacity of the Suez Canal to handle shipping has not, as was generally predicted, deteriorated seriously, but actually has been improved to the point that today the canal is handling, expeditiously and competently, more traffic than it did before the closing.

It would appear that at least one of Nasser's ultimate aims is to get for the "have-not" Arab states some larger share of the growing Middle Eastern oil revenues than they now receive in the form of tax on pipeline operations and the canal tolls. But to do this in a very substantial way he would have to coax or coerce some of the oil producing states to join a federation under his leadership, which, up to now, has not happened. And even if he should succeed in doing this there is no indication as to what his next step might be. On the one hand he is a champion of nationalization of natural resources. On the other he has, in several public utterances, shown a thoroughgoing awareness of the fact that oil in the ground is of no value to anyone. To give it value it must be manufactured, transported, and marketed, a process that requires ships, refineries, and access to markets, which Nasser does not have. There is no evidence, at this time, in any of the oil producing countries of sympathy for the idea giving Nasser a hand in the control of the revenue from oil. On the other hand, there have been proposed many times schemes for part of those revenues being made available to finance development projects in the "have-not" countries.

As far as the oil industry is concerned, Nasser must remain, at least for some time to come, a question mark. His capacity to cause serious dislocation and disturbance in the orderly development of the free world economy by shutting off the normal channels of transport through which Middle Eastern petroleum flows can hardly be doubted. His willingness to do so is another thing, altogether.

Industry Is Not for Faint-Hearted

Perhaps, in the light of such conditions, it is understandable that the faint-hearted should look upon oil operations in the Middle East as precarious and questionable. But the fact remains that the companies now operating there represent nearly 1,500,000 U. S. shareholders who already have a stake in the Middle East. And the further fact is that we cannot choose the areas in which we would prefer to produce oil; we must take it where we find it.

I believe that those who are familiar with the history of the oil industry are aware that it is an enterprise fraught with many risks, and I am sure that the records of the companies operating in the Middle East do not indicate that they have any throught of lessening their interest or effort to supplying the world's markets with the oil required.

Middle Eastern operators in every instance have pursued more or less continuously such programs of expansion as were necessary to achieve the production necessary to meet market demand. Currently, they are actively engaged in programs to match anticipated requirements several years hence.

The free world's requirements for petroleum have been expanding so rapidly and the capacity of the U. S. reserves to support another such emergency as World War II are diminishing so steadily, that to pursue any other course might well prove to be the straight line from timidity to disaster.

Murray A. Charlop Opens

BROOKLYN, N. Y. — Murray A. Charlop is conducting a securities business from offices at 1568 49th Street.

John P. Fox Opens

MT. VERNON, N. Y. — John P. Fox is conducting a securities business from offices at 127 Crary Avenue.

A. J. Gabriel Co. Opens

A. J. Gabriel Co., Inc. is engaging in a securities business from offices at 65 East 55th Street.

Two With Reynolds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Edwin Parris and Donald P. Tafjen are now affiliated with Reynolds & Co., 425 Montgomery Street. Mr. Parris was previously with J. Barth & Co.

Chase Manhattan Group Offers $49 Million New York State Bonds

The Chase Manhattan Bank and associates were awarded on June 17 an issue of $49,000,000 State of New York housing bonds due $1,000,000 each July 1, 1960-2008, callable beginning July 1, 1998. The group bid 100.0199% for bonds carrying 4%, 3%, 2¾%, 2.90% and 2% coupons, which resulted in a net interest cost of 2.91717% to the State.

The bonds, with the exception of the 2008 maturity, were reoffered to the public at prices to yield 1% to 3.10%.

The bonds are general obligations of the State of New York which has pledged its full faith and credit to the payment of principal and interest.

Included in the offering group are: Kuhn, Loeb & Co.; Chemical Corn Exchange Bank; Blyth & Co., Inc.; C. J. Devine & Co.; Manufacturers Trust Co.; The Marine Trust Company of Western New York; Harris Trust and Savings Bank; The Northern Trust Co.; Hallgarten & Co.; Kidder, Peabody & Co.

Ladenburg, Thalmann & Co.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Barr Brothers & Co.; Blair & Co. Incorporated; White, Weld & Co.; The Philadelphia National Bank; Carl M. Loeb, Rhoades & Co.; Bear, Stearns & Co.; Equitable Securities Corporation; Hornblower & Weeks.

With Greene & Ladd

(Special to The Financial Chronicle)

DAYTON, Ohio — Frank J. Casey is now associated with Greene & Ladd, Third National Bank Building, members of the New York Stock Exchange. Mr. Casey was formerly with Remmele-Johannes & Co.

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As We See It

any given situation continue, and so do the debates as to what ought to be done at the present time. The subject had attracted very considerable attention even before the crash in 1929—partly as a result of unemployment in other countries—and soon became the key question in this as well as in other lands. Several learned books soon appeared on the subject, and by 1935 John Maynard Keynes had elaborated his "general theory" and presented it in a large volume which, unfortunately, is still Holy Scripture to all too many who would banish unemployment in various parts of the world.

Strangest of All

Strangest and most unfortunate of all is the fact that in Keynes' own work and in the voluminous literature that it has inspired in the 20-odd years since it appeared, the individuals who are employed or who would like to be employed are regarded apparently as having little or no power to control or even influence their own fate. Rates of interest, the volume of investment, propensity to consume, the volume of government spending, and other factors of a like sort are put down as controlling the situation. The wage earner works or remains idle depending upon what someone else does or does not do, so it is said.

Furthermore these factors are often vaguely or unrealistically conceived. The volume of investment, for example, is just the volume of investment. It makes no difference apparently whether it is carefully planned construction of plant with excellent likelihood of being able to give employment and remaining alive indefinitely, or merely make-work programs of a paternalistic government. Investment figures ordinarily employed in statistical analyses of such situations include business inventories accumulated much against the will of business concerns. Often analysts seem to suppose that consumers spend income only on consumption—and hoard the remainder. In any event, the grand total or average of all operations are taken as guideposts despite the fact that such figures include and often conceal a vast heterogeneity of data.

Easy Money

Make it easy enough and inexpensive enough to borrow large sums of money, and there will always be someone who will borrow and spend and employ, say these easy reasoners. If presently when interest rates are higher, as they normally would be, the enterprises or operations thus artificially induced to come into being can not make both ends meet and hence can no longer provide employment — well, that is a bridge to be crossed when reached. Demand for this, that, and the other good or service which owes its existence to government generosity may or may not outlive that generosity, but that, too, is something to be worried about at some later date. If, as a result of all this, prices insist upon rising, the remedy is simple—merely institute strict price controls—so the reasoning goes. Life is really quite simple for those who think in this way about the economic system.

Time was when an individual seeking employment was expected to meet the situation by which he or she was faced by offering services acceptable to an employer of labor at a price which he could and would pay and still make profit enough to persuade him to proceed. In other words, at least some part of the responsibility for finding work and keeping work was supposed to rest with the seeker after employment. In those days, unions existed, but they had not developed the monopoly power they hold today. At least some competition of worker against worker existed. Those times appear to be gone, and if left to the politicians they will never return, we are afraid. Today, organized labor can price itself out of a market — and the resulting unemployment is charged against the employer, the industry, the government, the Federal Reserve System or practically anything except the workers themselves and their short-sighted and monopolistic policies.

It is for reasons of this kind that we fear that the so-called full employment act and the philosophy which gave it birth will do the country infinite harm. It is for these reasons that we deplore the passing of great economists who discerned the fallacies underlying the reasoning of Lord Keynes and his successors. It is for these reasons that the leading place of this nation in the economies of the world may presently be sacrificed. It is only for reasons of this kind that we have misgivings about any competitive economic struggle between the communists and the other economies of the world.

We can only hope against hope that there will be a return, and in time, of a day when natural forces are given play as in the days when we were the envy of the world. But how can that happen with the full employment act still on the statute books of the nation, and still sacred writ to the politicians?

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Keeping Our Heritage of Freedom Is No Easy Task

were 9.2% of total national income.

In 1957, they were 5.9% of total national income.

That is a decline of more than one-third.

At the same time, labor income as a percentage of national income has moved upward.

In 1948, it was 62%.

In 1957, it was 69%.

The intimation in all these arguments that wage increases can be taken out of profits is that there is something wrong or evil about profits.

The truth is that profits are the lifeblood of our dynamic, free enterprise system. Anyone who attacks profits attacks that system.

Case for Profits

The case for profits as an essential ingredient in the American system was admirably summed up in a recent issue of the survey published by the Guaranty Trust Company of New York as follows:

"Spokesmen for the workingman have always been prone to quarrel with the employer's profits. They have never been able to reconcile themselves to the fact that these profits are really the workingman's best friend.

"It is the prospect of profits that creates the job, and it is the realization of profits that maintains the job. When profits are ample and demand is abundant, the attack on profits tends to result in inflationary price increases, with no real gain to labor.

"When profits are squeezed, and demand is faltering, the attack becomes a formula for unemployment."

So ends the quotation.

To put it another way—

If profits are squeezed, management becomes more pessimistic and may cut back further on production and payrolls and begin laying off more workers.

When shadows begin to fall on the profit outlook, investment in technological improvement may be postponed or abandoned.

You hear a lot these days about what are called "administered prices." It is being said that this recession was brought on because the major corporations have "administered prices" of their products—meaning by that, I presume, that prices are fixed so high that people refuse to buy, sales fall off, production drops and unemployment results.

Stated another way, an "administered price" as the term is being loosely used, is one that is arbitrarily fixed and rigidly adhered to without respect to supply and demand.

Now I submit to you that, if that is a fair definition of "administered prices" as it is being used by labor leaders and some politicians, then the price of union labor itself is the most glaring example of an "administered price" today because, with a surplus of labor, wage rates are not only being held rigid, but labor leaders are actually demanding more.

Price Cuts as a Real Cure

The surest way to cure a recession is to get prices down, and you cannot get prices down by raising wages.

When goods remain unsold, it is not because there is a deficiency of purchasing power, but because people do not use the purchasing power they have. That is evidenced by the fact that savings today are going up. The purchasing power is there but it is not being used.

The more tenaciously labor insists upon raising the cost of employment during a recession such as we are in, the less employment there will be, and yet that is exactly what union labor is doing today. There are plenty of people who are waking up to the fact that there is a union label sewed into the lining of this present recession.

I would like to make it clear that management has no quarrel with the rank and file of labor union members—and we have no objections to pay raises based on increases in productivity. Everyone is entitled to a raise based on productivity. Our difference arises with labor union bosses who take little or no account of the productivity issue.

Of course, not all labor leaders take the same position in regard to wages. There are those who have suggested a voluntary moratorium on pay raises during this recession.

Such sound recommendations have not been adopted, and their advocates have almost been kicked out bodily from the labor conventions, although I believe that the rank and file of labor, as opposed to labor leaders, would agree with them.

The head of the steel workers' union recently rejected a suggestion that labor and management in the steel industry agree on postponing wage and price increases for at least a year. In doing so, he said, "A contract is a sacred thing."

Of course a contract is a sacred thing.

But a contract can be amended by mutual consent without affecting its sanctity. This is exactly what should be done under present conditions by big business and big labor with those contracts providing for automatic raises.

A spokesman for the steel industry is quoted in a recent edition of *Time* magazine as saying that the price of steel may be raised $10 a ton, if the steelworkers insist on the pay raise scheduled for July 1 of this year.

It takes little imagination to realize what that would do to the steel industry and to the other industries it affects. A resumption of the wage-price spiral would be inevitable.

One union boss recently said that "The employers think they can use the recession to soften us up. We cannot let them break the labor movement."

All this leads to a good question.

What is really meant by the "labor movement"?

Labor Movement Discussed

Does it mean raises ever year—regardless of increases in productivity?

Does it mean raises every year in a recession, as well as a boom—regardless of how many million workers are unemployed?

If the labor movement means those things, then its objectives should be changed—otherwise it will break the country and destroy the free enterprise system!

Of course, the legitimate labor movement does not mean those things. The labor movement mean those things only in the minds of overly ambitious labor leaders vying with each other to set personal records of accomplishment without regard to the effect upon the economy of the nation.

No one wants to break the legitimate labor movement — certainly not the Chamber of Commerce of the United States—but this business of wage increases geared to the calendar rather than to productivity must be stopped. If they are not stopped the inevitable outcome will be either ruinous inflation or prolonged recession or wage and price controls by government.

The National Chamber was one of the first large business organizations to advocate that employees should have the right to organize. Our membership has repeatedly affirmed that they should have the right to organize and bargain collectively whenever this action is of their own free and uncoerced choice.

When the Chamber expresses concern about the growing power of labor unions, it is not with the thought that the right of employees to have their organizations should be taken away from them.

This right should be carefully preserved in this complex society where the dignity and interests of the individual employee may at times be overlooked unless he is provided with machinery for expressing himself.

Union power and its abuse is a far different question. It often arises from the fact that tremendous authority has been placed in the hands of a very few union bosses.

They dictate what the unions shall do, and because the power is centered in only a few men and affects entire industries, it is a monopolistic situation which should be dealt with.

A National Chamber witness who appeared recently before the legislative subcommittee of the Senate Labor and Public Welfare Committee emphasized these two things:

First, the core of the labor problem is uncontrolled union power.

Second, Congress and the Congress alone can control union power.

So-called democracy measures and regulations for filing financial statements are good, but will not strike at the basic problem. When 50 years ago big business abused its power, the Congress passed the antitrust laws.

Why should not the Congress—in the public interest—now provide that the antitrust laws be applied to labor union monopolies?

In addition to drives for higher wages, labor leaders are also supporting most of the 30-odd major anti-recession bills which have been introduced in Congress and whose chief effect would be the generation of inflation.

Most of these proposals were hastily prepared without consideration of real needs.

The provide chiefly for public works projects which are likely to take a year or more to get under way. Many of the bills amount to little more than the expensive gestures such as are usually made in an election year.

No Cure in Pump Priming

We know from experience that inflationary cures for unemployment are not effective. In the 1930's the Federal Government trotted out a whole battalion of make-work projects under the general banner of the purchasing power theory.

We were told that in this way, we could prime the pump of the national economy. The trouble

was, that the pump was never primed.

After eight years, and some $20 billion had been borrowed and spent — dollars worth twice as much as dollars today — there were still between eight and ten million members of the labor force unemployed. And they remained unemployed until the war bailed us out.

There is no royal, easy road out of a recession if the cure is to be real instead of spurious.

As I have said, the best way to reverse the tide of business activity today would be for both unions and management to work toward halting the wage-price spiral which has been discouraging consumer buying.

Recessions are usually solved by price reductions and any form of price rigidity tends to prolong them.

There are some things government can do to help but the cure must come primarily in the market place and not on Capitol Hill in Washington.

The great danger is that government, in its anxiety to speed recovery will use excessive medicine which would bring about inflationary pressures and an excessive boom—which, in turn, would build a subsequent contraction worse than we now have.

And so, even in the midst of a recession, our greatest long-term danger in this country is inflation.

A little while ago I showed you a piece of American money. Now I want to show you and talk about a piece of French money.

French Franc

I hold in my hand a 1,000 franc note. When I was a soldier in France in 1918 I held a commission as Captain of Field Artillery. My pay was $200 a month and I was paid in francs. The rate of exchange was five for the dollar and I received 1,000 francs. If I were being paid $200 a month today in francs, I would receive 84,000 francs at the official rate and 90,000 in the black market.

In other words, this piece of French money which I hold in my hand and which was once worth $200 in our money, is today worth $2.38 at the official rate, and $2.20 at the black market rate.

In one corner of this French bank note, which bears a beautiful colored picture of Cardinal Richelieu, is the warning that anyone who counterfeits one of these notes will be punished with forced labor.

But the 1,000 franc note which was once worth $200 is worth so little today that a counterfeiter would starve to death making these bills.

If the same fate should befall the dollar — if it should become worth only 1/84 of what it is worth today—a suit of clothes which now sells for $100 would cost you $8,400.

Any one of the so-called low-priced American cars with minimum trimmings would cost you $250,000.

A social security check for $100 would buy two pounds of hamburger which would make one meal for a family of four, or two meals for a good sized dog—and $100,000 in life insurance would purchase room and board for a widow for approximately one year.

I do not need to tell you what would happen to our democratic institutions under the impact of such a depreciation of our currency. We are all familiar with what has happened in France. The government has changed 26 times since the end of World War II.

Their troubles have been due in part to the manifold problems resulting from inflations. We like to say to ourselves that it cannot happen here, and I am an optimist myself. But the stubborn fact is that the 1958 dollar is worth 48 cents as compared to the dollar in 1939, and if we don't stop this wage-price spiral, we are in for a stiff battle to preserve our economic system against an onrushing tide of socialistic proposals. Labor union lobbyists—who are committed to the political philosophy of the welfare state — have moved right into Congressional offices on Capitol Hill.

Business and Politics

That is why the Chamber of Commerce of the United States is telling businessmen that if they want to avoid a form of government which is hostile to business, they must develop and carry out a program of effective political action.

They must quit thinking of politics as a dirty word. They must either get into politics or get out of business.

We believe businessmen can best accomplish this through the media of their local, state and national chambers of commerce.

We believe that the overwhelming majority of American people are possessed with high ideals, sincerity, honesty, and courage, and that they have enough intelligence to understand economic truths when they are clearly and forcibly presented to them.

We believe that if we present the truth with enthusiasm, with persistence and with energy, we will have nothing to fear.

In this program, we invite the support of the members of The National Advertisers Association, who through the medium of advertising can exercise enormous influence on the thinking of this country.

We must understand, however, that keeping our heritage of freedom is no easy task.

It is said that as Benjamin Franklin walked out of Convention Hall in Philadelphia after signing the new Constitution of the United States, someone asked him, "What have you given us?" He replied, "A Republic, sir, if you can keep it."

Well, we have kept it thus far. Can we continue to keep it? Yes, by eternal vigilance. Will we keep it? Yes, I hope so. I not only hope so, but I believe so.

Form Securities Firm

BALTIMORE, Md.—The Baltimore House of Securities Co. has been formed with offices in the Fidelity Building to engage in a securities business. Officers are Mende M. Lerner, President and Secretary, and Philip A. Cohen, Vice-President and Treasurer. Mr. Lerner was formerly with Henry Montor Associates, Inc.

Glickman Secs. Opens

Glickman Securities Corp. has been formed with offices at 565 Fifth Avenue, New York City, to engage in a securities business. Officers are Louis J. Glickman, President; Louis A. Siegel and Nathaniel L. Berger, Vice-Presidents; and Bernard Mann, Secretary-Treasurer.

With McDonald, Holman

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Marvin J. Wanetick has been added to the staff of McDonald, Holman & Co., Inc., 214 North Canon Drive.

Join Daniel Weston

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Joel A. Klein and Mitchell G. Mann have joined the staff of Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange. Mr. Klein was previously with Mutual Fund Associates, Inc.

J. A. Overton Adds

(Special to The Financial Chronicle)

CORONADO, Calif. — John D. MacLachlan has been added to the staff of J. A. Overton & Co., 1134 Orange Avenue.

First Boston-Blyth Group Offers Arizona Public Service Pfd.

The First Boston Corporation and Blyth & Co., Inc., are joint managers of the group that on June 18 offered an issue of 240,000 shares of Arizona Public Service Company $2.40 cumulative preferred stock, series A, par $50, at $50 per share.

The new preferred stock is not refundable, directly or indirectly, on or prior to June 1, 1963, at a lower cost of money to the company. Otherwise, it is redeemable at prices ranging from $52.75 per share if redeemed prior to June 1, 1963, to $50.50 per share if redeemed on or after June 1, 1973, plus, in each case, accrued dividends to the redemption date.

Net proceeds from the sale of the stock will be used for construction purposes and for the payment of loans incurred for construction purposes. Continuing growth in the number of customers served and increasing demands for electric power and gas require substantial expansion of the company's facilities, estimated to cost approximately $27,100,000 for the last three quarters of 1958, $40,800,000 for 1959 and $37,100,000 for 1960.

The company is engaged in the generation, purchase and sale of electricity and the purchase and sale of natural gas in an area extending to 10 of Arizona's 14 counties and covering about 40,000 square miles.

For the 12 months ended March 31, 1958, total operating revenues of the company amounted to $51,811,000 and net income to $6,639,000, compared with $50,345,000 and $6,563,000 for the calendar year 1957.

Giving effect to the sale of the new preferred stock, capitalization of the company consists of $77,035,000 in debt securities; $30,562,000 par value of preferred stock; $9,104,000 par value of convertible preferred stock; and $46,037,000 common stock and surplus.

Miltimore Life Trustee Of Union College

Louis D. Miltimore has been elected a life member of the board of trustees of Union College, Schenectady, N. Y., it was announced by Walter C. Baker, chairman of the board.

Mr. Miltimore is a general partner in the investment banking firm of Kidder, Peabody & Co., and a director of Thatcher Glass Manufacturing Company. For the past four years he has been a term trustee of Union College and a member of its finance committee. He is a graduate of the class of 1929.

A. J. & J. M. Hirsch

Abraham M. Hirsch and Jacob M. Hirsch have formed A. M. & J. M. Hirsch Co. with offices at 1407 Broadway, New York City, to engage in a securities business.

With Continental Secs.

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Frank J. Pipito has joined the staff of The Continental Securities Corporation, 611 Broadway.

Joins Gardner Dalton

(Special to The Financial Chronicle)

MILWAUKEE, Wis. — Milton W. Youngs is now affiliated with Gardner F. Dalton & Co., 735 North Water Street.

J. S. Strauss Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Reginald G. Becker has been added to the staff of J. S. Strauss & Co., 155 Montgomery Street.

Securities Salesman's Corner

By JOHN DUTTON

The Coming Competition for Investment Income

Every business in order to best serve its clientele must face the economic facts of life. In this week's piece I would like to discuss the coming events in the money market as they pertain to savers and investors, and the investment salesman that serve them. It is becoming clearly evident that substantial deficit financing, necessitating both Treasury and Federal Reserve policies that will be designed to ease money rates, will be accelerated sharply during the balance of this year. As for the future it is indeterminable as to when a reversal of this trend will take place.

To the investment salesman and the investor these facts are far from academic. They portend reductions in current rates now being paid on savings accounts and also dividends disbursed currently by Federal Savings and Loan Associations. Several announcements have already reached the press in various sections of the country of reductions ranging up to ½% per annum on thrift accounts, savings accounts, and this form of investment.

The Illusion of "Money" Security Can Be Overdone

So there will be no misunderstanding, there is no intention here to deprecate the proper functional utility of the various forms of savings and thrift accounts now so widely used by many investors throughout the country. But there are people who have overemphasized the use of these investment media to the extent that they are completely overbalanced with "dollar" assets. They are betting entirely in many cases upon a "dollar" that will not shrink, or that will grow larger in purchasing power when all the evidence points toward the opposite direction. Also, a return of 3% to 3½% that is subject to income taxes is certainly not attractive to those who must have more income upon which to live. If these rates are reduced (as seems very likely) such investments will be even more inadequate on this score as well. Remember, I am stating a position here that applies particularly to those individuals who are using such methods of investment almost exclusively to all others. However, even if interest rates will be reduced for certain purposes and classes of savers these time-tested investments are preferable to almost any other.

The Case of Mrs. "A"

During the past few weeks one of my associates was asked to discuss the investment problems of a retired woman who needed more income but had limited knowledge of securities. Moreover, she has carried along through the years a certain distrust of practically every form of investment except government bonds and savings accounts. Since her capital available for investment was less than $75,000, she was faced with the absolute necessity of accomplishing the following: (1) The assurance of more income paid regularly. (2) Freedom from the responsibility of supervising her investments for which she admitted she was not equipped either emotionally or by experience. (3) Peace of mind regarding her nest-egg.

There are many people like Mrs. A, who for the past ten years had kept her small reserve funds in E bonds and savings institutions. She was familiar with these investments, they required no care, and she had the feeling that as she said "her money was safe." But with the loss of her husband she no longer had an earned income upon which to rely and the $75,000 that was available to her in a lump sum settlement of his estate now became both a problem as well as a means of support to her.

In making the situation clear to this woman as to what was the best course for her it was necessary to discuss and analyze her situation in order to gain her agreement that she should invest her funds where she would have the most regular income, with freedom from supervisory cares. The fears she had expressed about other forms of investment, rather than E bonds and savings accounts, were finally resolved by showing her a newspaper clipping that stated categorically that some savings institutions were already planning to reduce their interest rates on savings accounts and dividends on savings and loan shares this coming July 1. Others have been toying with the idea.

The fact that current interest rates are not sacrosanct was made clear to her. Interest rates will fluctuate upward and downward in accord with the various fiscal policies prevailing from time to time; such is the world in which we live. The need for a proper investment program consisting in this instance of a few sound public utility stocks and the major portion of the fund committed to carefully selected mutual funds, with a modest reserve left in savings account for emergencies, was the best solution of her problem.

Sometimes a general news release, or a news item can be helpful to you in making a point; better than any involved discussion of inflation money, etc. etc.

Municipal Bond Women To Hold Outing

The Municipal Bond Women's Club of New York will hold its eighth annual outing on Friday June 27th at the Morris County Golf Club in Convent Station, New Jersey. About 60 members are expected to attend and a chartered bus will leave New York for the affair.

Dorothy Root, F. S. Smithers & Co., is chairman of the outing committee.

F. R. Burns Branches

OKLAHOMA CITY, Okla.—F. R. Burns & Company has opened a branch office in Guthrie, Oklahoma, and at 331 South Franklin Street, Ponca City.

I. J. Hechler Inv.

I. J. Hechler Investors Corp. is engaging in a securities business from offices at 535 Fifth Avenue, New York City.

Joins Dale R. Hill

(Special to The Financial Chronicle)

PUEBLO, Colo. — Merlin H. Menk has joined the staff of Dale R. Hill and Company, 114 West Ninth Street.

With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Sally C. Stapp has joined the staff of Mutual Fund Associates Incorporated, 506 Montgomery Street.

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The Shape of Things to Come

sumer than the people who sell electrical appliances.

Thus, the appliance manufacturers have tried to meet the challenge of the marketplace with better products, larger and more efficient facilities, lower-cost distribution, sharply increased advertising and sales effort, liberalized credit, bargain prices, and—in the process—sharply reduced profits. Yet unit sales in 1957—a year of record levels of economic activity — were at levels disappointingly below 1956 or 1955 volume. The eight-year average growth rate of 3% a year will not be enough to enable either the electrical manufacturers or the electric utilities to achieve their goals for the years ahead.

Frankly, this is a call for reinforcements. The manufacturers will intensify their efforts, but even their most strenuous efforts cannot be enough. Both manufacturers and utilities must build up their sales and advertising efforts in this field, and take whatever other imaginative steps are necessary, to persuade residential customers that there is no better investment they could make than to "live better—electrically."

Electric utilities, whose advertising and sales expenditures in the postwar years have dropped to 1.6% of gross revenues, might well consider the advantages of restoring the pre-war expenditures of 2.5% to 3% of gross revenues; and in many companies even higher percentages are justified by the opportunities. In view of the rapidly increasing number of competing uses for the consumer's dollars, such advertising and sales expenditures would represent a prudent management investment by an industry that aims to grow twice as fast as the economy as a whole.

Competition of Gas

I would be less than candid, however, if I left you with the impression that I consider undersized advertising budgets as the only obstacles to residential load growth. The most important single obstacle to the achievement of the industry's residential load objectives is the aggressive competition of the gas industry.

It is obvious that the gas industry has developed a tremendous momentum in recent years, and the electrical industry will have to put forth a tremendous new sales drive to compete with it successfully.

The utilities who offer both gas and electric service have a special responsibility to see that their customers truly have a free and fair choice between electricity and gas. For example, if the utility offers special inducements such as free installation or free service to its gas customers, the customers for electricity should be offered the same special advantages. In such fair competition, the electrical industry has nothing to fear—particularly if it vigorously promotes its natural advantages.

But if the electrical industry expects to coast along at its present pace in advertising and sales promotion, it is to be questioned whether our mutual objectives in electrical load can be realized. Such goals can only be achieved by selling the concept of all-electric living to the vast majority of the residential customers.

I have been speaking of the sales challenge in the residential area because it is a critical point that needs concentrated management attention. But if time permitted, a similar challenge would be found in the industrial, commercial, and rural markets.

Some may question whether it is appropriate to speak of increased expenditures for marketing, and continued investments in capital improvement and expansion, during the recessionary swings of the business cycle. It is my opinion that these are precisely the times when an extra marketing effort pays off best, and when capital improvements and expansion can be carried forward at the most favorable prices.

General Electric's "Operation Upturn," for example, is a company-wide effort to build sales and jobs not only through increased marketing effort, but through the efforts of every employee, every supplier, dealer and distributor—to deliver better values and better service to our customers. Such a program now will not only help to stimulate the economy, but should help to build long-term momentum in electrical industry sales; and here I refer to both the load curve and the curve of equipment sales. Other electrical manufacturers are also undertaking sales and job building programs, and utilities are tying in with both the manufacturer efforts and the local community efforts to stimulate renewed business activity. If these programs are carried through successfully, and the real gains are then consolidated and pressed forward, this industry will actually emerge from the present recession stronger than ever.

It is times like the present that separate the truly enterprising industries from those that simply float along in the national stream of economic activity. To reach the industry's high goals, it is mandatory that both manufacturers and utilities demonstrate their spirit of enterprise more aggressively at the marketplace.

Political Environment

A third critical area in which the future is being shaped now is in the halls of Congress and in the state legislatures, and wherever the political climate of the future is taking form.

Solving the technical, marketing, and other familiar business problems of the electrical industry will not alone assure a bright future. Political conditions could so restrict the vigor of the business enterprise system that the national economy would never reach its magnificent potential in 1979. The shape of things to come 10 and 20 years from now is being determined by political decisions on such current issues as these:

Shall the government attempt to cure the present recession by massive doses of inflation? Are illusory tax cuts and wasteful spending programs really the best route to a sound resumption of the national advance?

Will the present recessionary swing of the business cycle be used as an excuse to funnel an even larger proportion of the nation's economic activities through the central government? Is it not enough that one-fifth of the gross national product is produced for government, and that one-quarter of the income of the people is taken in taxes?

Will atomic energy provide a second chance for those who want to see investor-owned electric utilities wither away, replaced by Federal power plants?

Will the present tax system, which penalizes success and frustrates initiative, eventually manage to stunt and cripple the American business system?

Will monopoly union power be allowed to run its selfish course uncontrolled, poisoning the economy with inflation, special privilege, coercion, and restrictions on productivity and initiative?

The people's representatives in Congress, in the capital buildings in the state legislatures, in the city hall and the county court house, are trying to come up with answers to these questions. Their answers are determined not only by their judgment as to what is the right course, but also by what they feel is required to keep them in office.

It is important that their answers be based on what truly represents the balanced best interests of all citizens, and not the interests of special-interest blocs. Consider the political activities of just one special-interest bloc, for example.

The labor unions this year will be expanding both the scale and the variety of their political efforts along highly practical lines. They will have card files on voters and even bigger files on the candidates; they will have doorbell ringing and coffee hours in behalf of favored candidates; registration drives, followed by election-day telephone reminders; even rides to the polls and baby sitters for voting housewives.

Now the people who run the unions have every right to try to build support for their political views. While there may be raised eyebrows at some of their techniques of using union machinery to provide political funds and manpower, the opportunity they are embracing is generally within the traditional bounds of American political action. The real issue here is whether any special-interest group should achieve such tremendous political power that it produces a serious imbalance in the nation's political structure, so that the public interest is forced to bow before a special interest. This time it just happens to be those union officials who support a program of big government, big taxes, and increasing government encroachment on business. The future demands less special-interest politics and more politicking in behalf of all the people.

The political challenge from forces hostile to business may outweigh any others in determining the political climate of the 1960's and the 1970's. It must be met by an equally determined, equally practical, and equally well mounted effort on the part of those who hold that the whole public interest will best be served by encouragement of business enterprise and individual freedom, and not by the growth of big government.

Challenge of Atomic Energy Pattern of Development

Consider the challenge offered by atomic energy, for example. Here is a development that will have profound effects on the future of the electrical industry and the national economy. In 1959, the Congress will undoubtedly rewrite the Atomic Energy Act of 1954. It is reasonable to assume that whatever enabling legislation emerges will establish the ground rules for the development of atomic energy for years to come.

This is why, in the public interest, it is essential that the spokesmen for industry agree on proper goals and methods for the development of atomic energy within the framework of this country's traditional economic system. As you know, the industry is now presenting many contradictory positions.

We in General Electric are eager to do our share toward the development of a constructive long-range policy that is founded firmly on the national interest. We do not pretend to have a ready-made answer to the many questions involved, but perhaps it would be helpful if we could serve as a catalyst, to bring forth the best thinking of the industry on this important subject.

At the suggestion of many utility executives, General Electric has announced a Third Utility Executives' Conference at Woodside, Calif., on the pattern of the Utility Conferences the company conducted in 1950 and 1954.

Because of the urgency of the atomic power issue, General Electric is willing to extend this Conference for a thorough exchange of ideas on the nation's atomic energy policy. For this portion of the Conference, invitations would also be extended to the executives of the other manufacturers of atomic power reactors. The delegates will have an opportunity to hear and discuss papers on the technical, economic, and political problems of atomic energy. It is hoped that an industry-wide conference, in this setting of investor-owned atomic energy facilities, will help to develop a common vision for the electrical industry as it moves toward the atomic era.

Atomic energy is only one of many issues that have great economic and political significance for the business community and the public it serves.

In the past, the businessman may have felt that such political matters were not part of his regular assignment. They are now.

Non-Partisan Education

As a manager, the businessman must see that everyone associated with the business—customer, employee, share owner, and community neighbor — is provided with the facts about those issues that affect the ability of business to serve the people of the United States. This can and should be done on a non-partisan basis:

As a private citizen, the businessman must work for and contribute to the party of his choice, building support for those candidates that best represent his personal point of view. I emphasize "the party of his choice" because there are high-quality candidates in both parties. The best way in the long run to assure good government is to have men of sound and independent judgment in each party.

This discussion of the political challenges has led us to my final point: that ultimately, the future is being shaped in the minds and hearts of men.

Scientists can try to predict what will happen in the laboratories; economists and sales managers can try to forecast the trends in the marketplace; and politicians can promise the moon with a satellite around it.

But the future cannot be mathematically determined or rigidly controlled. In a free society, the future is shaped by the character of the people. Each of us has a different picture of the future he desires, and none of us can have his way entirely. Yet the faith of the free society is that what does come about, with all its faults, is far superior to anything produced by a centrally directed society.

In this great electrical industry, so vital to the national advance, let us resolve to do our full share to bring about the future envisioned here today. Let us plan, work, invest, produce, and sell confidently, regardless of the passing troubles of the day.

Let us work to accelerate the pace of progress in the laboratories and the marketplace.

Let us work to have the capacity in place and ready for each new surge of national growth.

And let us work to build the climate of public opinion that will preserve and enhance the vitality of free enterprise, in the service of a free society.

They Must Help Themselves!

"The interdependence of nations implies that any lagging part of the world economy holds back every other. Conversely, to the extent that the less-developed regions participate fully in world economic growth, the entire free world will benefit. Markets will expand, both for raw materials and industrial products, and an increasing range of human aspirations will be satisfied. We cannot achieve a community of free nations if the disparities of opportunity for their peoples are so vast as to preclude any common experience. The ultimate objective of all economic development is the well-being and happiness of the individual and the basic unit of society which is the family. The future peace of the world and the achievement of some of our deepest values depend on the sustained advance of the less developed regions in cooperation with the industrialized nations."—Panel III of the Special Studies Project of the Rockefeller Brothers Fund, Inc.

Maybe, but let us not forget that "sustained advance of the less-developed regions" depends very largely upon the inhabitants thereof—at least in the absence of 19th century colonialism.

Midwest Exchange Names Public Advisors

CHICAGO, Ill. — Six leading business executives have been named public advisors to the Midwest Stock Exchange for the coming year, Arthur C. Allyn, senior partner of A. C. Allyn & Co. and Chairman of Midwest's Board of Governors, announced.

Newcomers to the six-man advisory group are Horace A. Shepard, Vice-President and director, Thompson Products, Inc., Cleveland; Ben Regan, President of Nationwide Food Service, Inc., Chicago; and David M. Kennedy, President of the Continental Illinois National Bank and Trust Company of Chicago.

Goodrich Lowry, President of Northwest Bancorporation, Minneapolis, was named to a third consecutive term, as was Edward P. Rubin, President of Selected American Shares, Inc., Chicago.

William G. Marbury, Chairman of the Board of Mississippi River Fuel Corp., St. Louis, was named to a second consecutive term.

Function of the advisors, who are selected by the board of governors, is to present the viewpoint of the public in formulating Exchange policies. They cannot be members or nominees of member firms.

Now With Sutro Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William Wehrmeister Jr., has become affiliated with Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Wehrmeister was formerly with Irving Lundborg & Co. and Hooker & Fay.

Continued from page 21

Price of Gold and Gold Outflow

example, draws a conclusion that the price of gold should be trebled because dollar prices of many commodities have trebled over the past 20 years or since the last world-wide round of gold price increases was completed. This is getting the cart before the horse; the inflation of the past 20 years got its gold base out of the excessive rise in gold price and enormous stimulation to gold production. If the gold price were to be related to commodity prices and marked up every time commodity prices rose, it would cease to have use or meaning as an official currency standard. The use of any fixed gold price is to check excessive credit expansion and rising commodity prices.

"Any comparison of the gold position today with 20 years ago would show a scarcity because we have indulged in so much inflation in the meantime. But to raise the price of gold dramatically at this juncture would be to destroy faith in all the currencies of the western world. In the 1930's gold price increases had a legitimate object of encouraging recovery of a painfully and inequitably deflated world price structure. Inflation today is barely mastered. We should have no wish to give it a longer lease on life."

With regard to foreign demand for our gold and the need to prevent lack of confidence in the U. S. dollar, Senator Robertson pointed out to the U. S. Senate that "the gold stock of the United States Treasury declined by $611 million between the end of 1957 and April 16, 1958, and has declined further since that date. Some observers have suggested that the foreign demand upon our gold might indicate a growing distrust abroad of the stability of the American dollar.

"I asked the Chairman of the Federal Reserve Board for his comment on this matter, and I ask unanimous consent that Mr. Martin's reply be printed in the Record at this point.

"There being no objection, the letter was ordered to be printed in the Record as follows:

Martin's Letter

"In your letter of April 21, 1958, you inquire about the decline in gold certificates held by the Federal Reserve System and ask for an explanation of the effects of that decline on the current credit situation.

"The gold-certificate holdings of the Federal Reserve System rose in 1957 by $816 million from $21,269 million to $22,085 million, and declined between the end of 1957 and April 16, 1958, by $496 million to $21,589 million. These changes reflected approximately corresponding changes in the gold stock of the United States Treasury, which increased by $832 million in 1957 and declined by $611 million between the end of 1957 and April 16, 1958.

W. McC. Martin, Jr.

"Apart from transactions in domestically mined gold, the volume of which is negligible, the changes in the United States gold stock invariably reflect gold purchases from, and gold sales to, foreign monetary authorities and the International Monetary Fund. When the rest of the free world experiences a substantial deficit in its balance of payments with the United States, it tends to replenish its dollar holdings by selling gold to the United States Treasury. If the rest of the free world has a substantial surplus in its balance of payments with the United States, it tends to convert a large part, and sometimes the total, of its dollar gains into gold by purchasing gold from the United States Treasury.

"In 1957 many important countries of the free world suffered a substantial deficit in their balance of payments, in part because of excess imports due to domestic inflationary pressures and in part because of capital flight due to rumors of an expanding devaluation of the pound sterling. By the end of the year, inflationary pressures had been brought under control in most major foreign countries and the financial community had recognized that the pound sterling was not going to be devalued. For these reasons the balance of payments of the rest of the free world with the United States improved both on current account (since excess imports of many foreign countries were eliminated by the restoration of financial equilibrium) and on capital account (because the capital that fled foreign countries, and in particular the United Kingdom, started to return). As a result of these changes, the flow of funds between the rest of the free world and the United States was reversed; the foreign countries that had lost reserves in 1957 started to regain them; and conversely, the United States Treasury, which had purchased gold from foreign countries and the International Monetary Fund in 1957, now sold a large part of this gold back to foreign monetary authorities. The changes in the United States gold stock were thus normal consequences of the changes in the balance of international payments of the rest of the free world between 1957 and 1958.

"Changes in the United States gold stock affect the gold certificate holdings of the Federal Reserve System, as follows: As the Treasury buys gold, it generally replenishes its dollar balances by issuing gold certificates to the Federal Reserve banks, which credit the Treasury's deposit account with a corresponding amount. When the Treasury sells gold, it generally uses the proceeds to redeem gold certificates held by Federal Reserve banks. The recent decline in certificate holdings was smaller than the decline in the United States Treasury gold stock, however, because the Treasury transferred $100 million from its free-gold balance to the gold-certificate account.

"Gold movements also affect the reserve position of the member banks. A sale of gold to the United States Treasury generally increases the amount of bank deposits and bank reserves, since the seller of gold generally uses the proceeds of the gold sale in a way that transfers them to member banks; conversely, a purchase of gold from the United States Treasury generally reduces bank deposits and bank reserves, since the purchaser generally pays for the gold by drawing on his account with member banks. If the Federal Reserve System wishes to counteract these effects of gold sales and purchases, it has to take measures to reduce bank reserves (e. g., by open-market sales of Treasury bills) in the case of an increase in the United States gold stock; and to expand bank reserves (e. g., by open-market purchases of Treasury bills or by reducing member bank reserve requirements) in the case of a decline in the United States gold stock.

"To this extent it is correct to state that the recent expansionary actions of the Federal Reserve System were in part necessary to offset the contracting effect of the decline in the United States gold stock. It would not be correct to state that the decline in the gold stock was in part offsetting the actions of the Federal Reserve System, since the decisions of the Federal Reserve System take account of the changes in the United States gold stock. If there had been no decline in the United States gold stock in 1958, the same degree of ease would have been achieved by somewhat less expansionary actions of the Federal Reserve System.

"The problem of maintaining the statutory 25% reserve in gold certificates against Federal Reserve notes and deposits does not at present affect the credit situation since Federal Reserve holdings of gold certificates amounted to 46.5% of deposits and note liabilities on April 16, 1958, as compared to 46.3% on Dec. 31, 1957. There is no danger that gold movements in the foreseeable future would bring the gold-certificate holdings of the Federal Reserve System down to the neighborhood of the statutory minimum.

"I hope that this somewhat technical discussion answers your questions. Let me emphasize once more that international movements of gold are necessary in order to maintain the functions of the international gold standard; and that their effect on the reserve position of our banks can easily be offset, as far as necessary, by the policy tools available to the Federal Reserve System."

Sincerely yours,
Wm. McC. Martin, Jr.

Robertson's Conclusions

"It may be noticed that Chairman Martin says the loss of our gold reserves so far in 1958 was more than balanced by an increase of $832 million in 1957 and he attributes both movements to normal efforts of other nations to balance their dollar payments to the United States. Last year foreign inflation and rumors that the pound might be devalued sent gold to this country. This year more stabilized financial conditions abroad have reversed that trend.

Sen. A. W. Robertson

"Mr. Martin also indicates confidence that the Federal Reserve Board can offset changes in our gold supply by policy tools which it has available and still make adjustments needed to stabilize our bank credit supply, and he says there is no danger that gold movements in the forseeable future will bring gold certificate holdings of the Federal Reserve System down to the statutory minimum.

"Nevertheless, Mr. President, I believe we should not overlook the fact that the current movement of gold is out of the United States; that the privilege of exchanging American dollars for gold, which is denied to American citizens, does reduce our bank reserves and the credit based on them, that if inflation abroad last year caused gold to be sent to this country, inflation here could cause it to be sent out again; and if carried to the extent which foreign holdings of American dollar exchange would make possible, this movement could have a serious impact on our economy.

"A recent tabulation of pending spending plans, including one made by the Chairman of the Federal Reserve Board, indicates a possibility of a deficit at the end of the next fiscal year of $10 billion without a tax cut and a deficit of from $15 to $18 billion with a tax cut. A deficit of that magnitude is bound to be inflationary and at the same time be disturbing to foreign nations which acquire large sums of American dollars through our purchases abroad, the spending of American tourists, and donations made under our foreign-aid program.

"With consumer buying running at the rate of $280 billion a year, each 1% price increase represents an invisible tax upon the American consumer of more than $2 billion.

"It is highly important, therefore, for us to plan a recovery from the current recession in a manner that will prevent uncontrolled price inflation at home and which will prevent loss abroad of confidence in the American dollar which, in turn, would further complicate our economic problems."

$39,587,000 Municipal Of Metropolitan Toronto Debentures Marketed

An underwriting group headed by Harriman Ripley & Co., Inc. and the Dominion Securities Corp. offered on June 19 an issue of $39,587,000 debentures of The Municipality of Metropolitan Toronto (Province of Ontario, Canada). The offering consists of $3,800,000 2¼%-4% instalment debentures, maturing July 1, 1959 to 1973, priced to yield from 2.25% to 4.00%, according to maturity; and $35,787,000 of 4% sinking fund debentures due July 1, 1978 which are priced at 99.25% and accrued interest, yielding more than 4.05%. Principal of and interest on the debentures are payable in United States funds.

Net proceeds from the sale of the debentures will be applied in varying amounts to sewage, schools, waterworks, roads and pavement reconstruction, hydro-electric systems, local improvements, parks and recreation, libraries, home for the aged, Administration of Justice and isolation hospital.

The sinking fund debentures are callable on and after July 1, 1973, at an initial redemption price of 103% and accrued interest and declining premiums thereafter. The sinking fund is designed to provide funds to repay the sinking fund debentures in full at maturity. The instalment debentures are non-callable.

The Municipality of Metropolitan Toronto was incorporated under Ontario statutes enacted in 1953 which provided for the federation of the 15 municipalities in the Toronto Metropolitan Area for certain financial and other purposes. The City of Toronto is the focal point of the area which covers approximately 240 square miles.

Two With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Kenneth W. Hill and A. Keith Reed have become affiliated with Investment Service Co., First National Bank Building.

Peters, Writer Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Olin S. Sheppard has been added to the staff of Peters, Writer & Christensen, Inc., 724 Seventeenth Street. He was formerly with Kohlmeyer & Company.

With Russell Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Darrell L. Oaks has become affiliated with Russell Investment Co., Boston Building. He was previously with H. Carroll & Co.

Form Madison Securities

MADISON, N. J.—George Pillsbury has formed Madison Securities Corporation with offices at 55 Green Village Road to engage in a securities business.

Two With Dewar

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Guy J. Chandler and Paul W. Lines are now associated with Dewar & Company, First National Bank Building, both were previously with James Kyle Company.

Valley Securities Opens

MORRISTOWN, Tenn.—Valley Securities Corporation has been formed with offices in the Bank of Commerce Building to engage in a securities business. Gus Nelson is a principal of the firm.

Fall River Electric Light Company Bonds Offered to Investors

Public offering of $3,000,000 Fall River Electric Light Co. first mortgage and collateral trust 4⅜% bonds due 1988 was made June 19 by Halsey, Stuart & Co. Inc., Dick & Merle-Smith, and R. W. Pressprich & Co. at 102.108% and accrued interest, to yield 4.25%. The offering firms won award of the issue at competitive sale June 18 on a bid of 100.859%.

Part of the net proceeds from the financing will be used by Fall River Electric Light to purchase $1,100,000 debenture bonds and $950,000 par value of common stock of Montaup Electric Co. of which it owns 33.32% voting control, a percentage unaffected by issuance of the additional Montaup shares. The balance of the proceeds from the sale of the bonds, plus funds from a recent offering by Fall River Electric Light of $900,000 additional common stock to its stockholders, will be applied to prepayment in part of the company's short-term bank loans of $2,050,000.

Upon completion of the financing the company's outstanding capitalization will consist of $9,800,000 long-term debt; 244,021 shares of common stock; and bank loans at $208,000.

Operating revenues in the 12 months ended March 31, 1957 amounted to $6,336,507 and net income to $807,392. The period's fixed charges were earned 4.91 times.

Fall River Electric Light, a subsidiary of Eastern Utilities Associates, conducts its business entirely within the Commonwealth of Massachusetts. The area served with electricity includes the communities of Fall River, Somerset, Swansea and parts of Dighton and Westport.

Beil & Hough Branch

ORLANDO, Fla. — Beil & Hough, Inc. has opened a branch office at 134 East Concord Avenue under the direction of Alan J. Stark.

New Ferman & Co. Branch

CLEARWATER, Fla. — Robert L. Ferman & Co. has opened a branch office at 1867 Gulf to Bay Boulevard under the direction of Harry V. Wilson.

New Ira Haupt Branch

STAMFORD, Conn.—Ira Haupt & Co. has opened a branch office at 433 Main Street under the direction of Howard Alexander.

Jobin & James Branch

TAMPA, Fla.—Jobin & James Investments Inc. has opened a branch office at 3336 South Dale Mabry under the direction of Edwin M. Jones.

New G. A. Saxton Branch

WATERBURY, Conn. — G. A. Saxton & Co., Inc. has opened a branch office at 85 Central Ave., under the management of Downing A. Reinbrecht.

New Tegtmeyer Office

BILLINGS, Mont. — Wm. H. Tegtmeyer & Co. has opened a branch office in the Northern Hotel under the management of Al E. Burgan.

Now R. J. Arnold & Co.

SOMERVILLE, N. J.—The firm name of Investment Planning Co., 42 North Bridge Street has been changed to Richard J. Arnold & Company.

With Dale R. Hill

(Special to The Financial Chronicle)

PUEBLO, Colo. — H. Ben Weindling is now with Dale R. Hill and Co., 114 West Ninth St.

Continued from page 5

The State of Trade and Industry

neglected furnaces back into operation. It is more than an overnight operation.

This trade weekly points out that while the June rush probably will be followed by a July letdown, the current situation spotlights the risk of allowing steel stocks to drop to the danger point. Steel capacity is more than ample to take care of customer needs over the long haul, but short-term pinches are bound to occur in a period of low inventories.

George F. Sullivan, Editor, "The Iron Age," reports in this week's issue on his observations during a three-week tour of Russian steel plants and iron ore operations. He was a member of a United States team of steel and ore experts who visited Russia under the sponsorship of the American Iron and Steel Institute.

As a result of the inspection trip, says Mr. Sullivan, "There should no longer be any doubt about performance reports on Soviet steel facilities."

In the automotive industry passenger car production in the United States climbed 11.2% last week, said "Ward's Automotive Reports," as the industry turned out its two millionth automobile of the 1958 calendar year.

The statistical publication said 18,983 cars were scheduled the past week compared to 73,696 in the preceding week and 125,372 in the corresponding week a year ago. The two millionth auto of the year was assembled Tuesday, June 10, almost two months to the day behind last year's pace, when that level was reached April 11.

By the end of last week, "Ward's" said, car output for the year rose to 2,060,366 units, 34.1% lower than last year's total of 3,126,757 through the same date.

"Ward's" indicated that the past week's production increase resulted from modest gains by General Motors and Ford Motor Co. Although Plymouth boosted scheduling, week-long closedowns by Dodge and De Soto plants hampered a Chrysler Corp. gain. American Motors returned to five-day programming following several weeks of six-day production, while Studebaker-Packard curtailed assembly last week.

"Ward's" said passenger car production in June is proceeding at a level that will provide approximately 330,000 units for the month. Previous monthly figures this year are: May, 349,474; April, 316,503; March, 357,049; February, 392,112 and January, 489,357.

Truck volume last week reached an estimated 17,870 units, "Ward's" stated, contrasted to 16,191 jobs in the prior week and 22,748 in the corresponding week last year. Output of trucks this year to date totals 410,477 or 22.9% below last year's figure of 532,534.

Industrial production rose slightly in May, reversing an eight-month decline. Output of the nation's mines and factories increased to 127% of the 1947-49 average, the Federal Reserve Board reported. This was one point above the April level, though still 17 points below May, 1957. The board credited the upturn to a "small gain" in activity in durable goods industries, which have suffered most from the slump.

Steel Output Scheduled to Increase to 64.4% of Ingot Capacity This Week

Steelmaking scored its seventh consecutive advance last week as furnaces operated at 64% of capacity, up 3.5 points, "Steel" Magazine reported on Monday last.

Output was about 1,725,000 net tons of steel for ingots and castings, the highest of any week this year. Since hitting a low point in April, production has increased by 35%. If operations continue at the current rate, June's output may top January's 6,750,000 tons, this trade weekly added.

Better steel production reflects demand generated by construction activity, replacement of depleted inventories and hedging against a possible price rise. In some cases, it also reflects a mill's desire to save money on semi-finished steel by turning out as much as possible before labor costs go up, according to this trade journal.

District rates in St. Louis last week stood at 95.5% of capacity, down 1.5 points from the previous week; Wheeling at 75, up 1 point; Far West at 72, down 2 points; Chicago at 68, up 0.5 point; Detroit at 65.5, down 2.5 points; Cincinnati at 61, up 1 point; Birmingham at 60.5, down 6.5 points; Mid-Atlantic at 60, up 2 points; Pittsburgh at 59.5, up 0.5 point; Buffalo held at 53.5%; Youngstown at 50, up 1 point; Cleveland at 43, up 6.5 points and New England at 41, up 1 point.

Although they are elated by June operations and sales reports, steelmakers expect them to slump in July. They are afraid production may drop to the April level or lower. Right now, the books look poor. Some reasons for the expected decline are that several automakers, possibly Buick, Oldsmobile and Pontiac, will shut down for model changeovers. Other customers will close their plants for vacations and those who bought heavily in June for price protection will be out of the market in July, "Steel" pointed out.

Despite the elimination of $2-a-ton price differentials by Great Lakes Steel Corp., Detroit, and Granite City Steel Co., Granite City, Ill., for competitive purposes, there is no change in the general price outlook. But some observers predict an end to premium selling.

When wage rates go up on July 1, steel prices will almost certainly be increased. Public opinion, reduced demand and competition from other metals are restraining influences, but they will not prevent a "moderate" hike. The probable increase will be about $5 a ton, continued this trade weekly.

In spite of the recession, a "Steel" survey shows that metalworking capacity will increase in the second half, but capital investment will be much slower than in 1957.

Capacity is expected to increase 1.7% in the next six months compared with 4.5% in the second half last year. Of those responding to the 1958 survey, 3.1% anticipate building new plants; 4.7% expect to construct additions to facilities and 13.7% intend to purchase new equipment.

Steelmaking scrap halted its price advance at most consuming centers last week. "Steel's" composite on the prime grade dropped 50 cents to $35.67 per gross ton. More declines are likely since dealers can not see much point to holding out for higher prices when signs point to reduced activity during July.

Scrap exports are falling. First quarter scrap exports are estimated at about 925,000 gross tons. Predictions of total 1958 export are slightly below 4,000,000 gross tons. That is far enough under last year's total, 5,921,149 tons, to insure that quotas will not be instituted in 1958, "Steel" magazine concluded.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *108.1% of steel capacity for the week beginning June 16, 1958, equivalent to 1,737,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *107.6% of capacity ,and 1,728,000 tons a week ago.

Output for the week beginning June 16, 1958 is equal to about 64.4% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 64.0% the week before.

For the like week a month ago the rate was 94.8% and production 1,523,000 tons. A year ago, the actual weekly production was placed at 2,181,000 tons, or 135.8%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Continued Higher Trend of Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 14, 1958, was estimated at 12,109,000,000 kwh., according to the Edison Electric Institute. Output continued last week the improvement noted in the prior week.

For the week ended June 14, 1958, output increased by 428,000,000 kwh. above that of the previous week, and was 151,000,000 kwh. higher than that of the comparable 1957 week and 684,000,000 kwh. above that of the week ended June 16, 1956.

Car Loadings Rose 15.7% Above the Preceding Holiday Week But Were 16.5% Below Like 1957 Period

Loadings of revenue freight for the week ended June 7, 1958, were 83,168 cars or 15.7% above the preceding holiday week.

Loadings for the week ended June 7, 1958, totaled 612,715 cars, a decrease of 120,762 cars or 16.5% below the corresponding 1957 week, and a decrease of 174,360 cars, or 22.2% below the corresponding week in 1956.

Passenger Car Output Climbed 11.2% Last Week

Automotive production for the week ended June 13, 1958, according to "Ward's Automotive Reports," rose by 11.2% as the industry completed its two millionth automobile of the calendar year 1958.

Last week's car output totalled 81,983 units and compared with 73,696 (revised) in the previous week. The past week's production total of cars and trucks amounted to 99,853 units, or an increase of 9,966 units above that of the previous week's output, states "Ward's."

Last week's car output increased above that of the previous week by 8,287 units while truck output rose by 1,679 vehicles during the week. In the corresponding week last year 125,372 cars and 22,748 trucks were assembled.

Last week the agency reported there were 17,870 trucks made in the United States. This compared with 16,191 in the previous week and 22,748 a year ago.

Canadian output figures for last week and the prior period not reported by "Ward's."

Lumber Shipments Rose 4.3% Above Output in the Week Ended June 7, 1958

Lumber shipments of 476 reporting mills in the week ended June 7, 1958, were 4.3% above production, according to the National Lumber Trade Barometer. In the same period new orders were 0.1% above production. Unfilled orders amounted to 35% of stocks. Production was 5.2% above; shipments 1.4% below and new orders were 4.1% above the previous week and 6.1% below the like week in 1957.

Business Failures Show Considerable Decline

Commercial and industrial failures declined to 254 in the week ended June 12 from 325 in the preceding week, Dun & Bradstreet, Inc., reported. At the lowest level since the first week of this year, casualties also fell below the 265 last year and the 286 in 1956. However, failures were 2% more numerous than in the comparable week of pre-war 1939 when 249 occurred.

Liabilities of $5,000 or more were involved in 216 of the week's casualties, falling considerably from 283 in the previous week and dipping slightly from 220 of this size a year ago. Small failures under $5,000 decreased to 38 from 42, last week and 45 in the similar week of 1957. Thirty businesses succumbed with liabilities in excess of $100,000 as against 40 in the preceding week.

Failures declined during the week in all industry and trade groups. The total for retailers dropped to 129 from 169, for manufacturers to 50 from 61, for wholesalers to 30 from 35, for construction contractors to 25 from 32 and for service concerns to 20 from 28. The year-to-year trends were mixed, however. Manufacturing, wholesaling and service casualties exceeded their 1957 levels, whereas retailing and construction tolls ran below last year.

In all except two of the nine major geographic regions, casualties declined in the week just ended. The Middle Atlantic States reported 92 as against 119 a week ago, the South Atlantic 27 as against 35, the East North Central 34 as against 51 and the Pacific States 52 as against 65. In contrast, the West North Central and Mountain States had totals equalling the previous week's. Dips from last year prevailed generally, with only two regions,

the Middle and South Atlantic States, suffering more failures than in the similar week of 1957.

Wholesale Food Price Index Showed Fractional Gains Last Week

Another fractional rise in the wholesale food price index, compiled by Dun & Bradstreet, Inc., occurred the past week. The index rose 0.2% to $6.61 on June 10 from the $6.60 of the prior week. It was 6.3% higher than the $6.22 of the corresponding date a year ago.

Commodities advancing in wholesale cost during the week were corn, rye, beef, butter, cocoa, steers and hogs. On the down side were flour, wheat, oats, barley, lard, cottonseed oil, eggs, potatoes and raisins.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Turned Slightly Lower the Past Week

The general commodity price level slipped fractionally again last week. On June 9 it stood at 279.76, compared with 280.75 a week earlier and 289.10 on the corresponding date a year ago. The week-to-week decrease was attributed mainly to lower prices on some grains, livestock, sugar and rubber.

Reports of favorable weather conditions in growing areas discouraged grain trading during the week and most prices slipped below the previous week. Wheat futures prices dipped most noticeably following reports that harvesting of the winter crop was underway.

Corn trading was sluggish for the week and futures prices fell moderately. There was an appreciable drop in soybean futures prices as buying lagged. Soybeans inspected for overseas export for the week ended May 30, amounted to 1,467,755 bushels compared with 918,020 in the prior week and 904,906 a year ago. The major countries involved were The Netherlands, Korea, Formosa, Japan and Israel.

Although prices climbed somewhat, flour trading remained close to that of the preceding week. Buyers were waiting for a weakening in hard winter flour prices. Commercial sales of flour for export totaled 56,600,000 bushels in grain equivalent this season as against 43,600,000 in the same period last season.

There was a moderate increase in rice buying a week ago, but prices remained at prior week levels. Export commitments made by the government included sizeable shipments to India, Indonesia and the Philippines.

Wholesale buying of sugar was sluggish in the week and prices slipped below the prior period. Coffee wholesalers reported little change in prices in limited trading. An upsurge in interest in cocoa occurred and prices climbed appreciably.

Cattle purchases lagged and prices declined somewhat. Cattle receipts in Chicago slightly exceeded those of both the prior week and the similar period a year ago. Volume in lambs was sluggish again and prices were down somewhat. Hog trading picked up and prices were slightly higher than a week earlier. There was a fractional increase in hog receipts. Despite the rise in hog prices, lard futures prices dipped somewhat during the week.

Cotton futures prices on the New York Cotton Exchange fell moderately. This in part was attributed to favorable weather and crop reports and the belief that Congress will pass new legislation to prevent a sharp cut in 1959 acreage allotments. Cotton trading picked up slightly at the end of the week.

Trade Volume Last Week Held Close to Prior Week's Level but Was Fractionally Under 1957 Period

Despite extensive sales promotions in apparel and outdoor furniture, total retail trade remained at the level of the prior week and slipped fractionally below a year ago. Increased buying of men's and women's apparel, furniture and air conditioners was offset by declines in most appliances and linens. Sales of new passenger cars were close to those of a week earlier, but remained well below last year, according to scattered reports.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 3% below to 1% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic and East South Central States 0 to +4%; West South Central —1 to +3; Middle Atlantic —2 to +2; New England and West North Central —3 to +1; East North Central and Pacific Coast —5 to —1; and Mountain States —6 to —2%.

Father's Day sales promotions stimulated interest in men's sportswear, furnishings and summer suits. Volume equalled that of a year ago. Appreciable year-to-year gains occurred in purchases of boys' clothing. Best-sellers in women's apparel were budget cotton dresses and sportswear. Over-all volume in women's merchandise slipped slightly below the similar 1957 week.

Furniture stores reported moderate year-to-year gains in sales of outdoor tables and chairs, dinette sets and case goods. There was a slight rise from the prior week in sales of air conditioners, fans and lamps, but volume was less than last year. While interest in floor coverings improved during the week, the call for linens and draperies slackened. Another rise in the buying of paint, hardware and building materials prevailed.

Grocers reported substantial gains from the preceding week in purchases of canned fish and juices, frozen vegetables and fresh produce. Retail stocks of canned goods in many areas were limited. Interest in fresh meat and dairy products held steady.

Retailers noticeably stepped up their buying of both men's and women's Fall apparel the past week. The response to showings of women's Fall sportswear and dresses was good and bookings equalled those of a year ago. Volume in women's Fall suits, coats and jewelry rose moderately from the prior week. There were substantial gains in purchases of men's Fall sportswear and suits, but reorders for Summer clothing lagged. Wholesalers were somewhat disappointed in the orders taken for children's back-to-school apparel.

Over-all textile trading slackened somewhat last week. Transactions in woolens and worsteds declined and sales of carpet wool were unchanged from the prior week. Despite some scattered orders for sateens and broadcloths, total volume in cotton gray goods lagged. A moderate rise in the call for wide industrial fabrics occurred. MidAtlantic dyers and finishers reported little change in incoming orders.

Wholesalers in most major markets reported a noticeable rise during the week in bookings in draperies and curtains. Volume in linens and floor coverings remained close to that of a week earlier. While sales of air conditioners, fans, lamps and refrigerators improved, the call for laundry equipment and dishwashers sagged. Re-orders for lawn tables and chairs and case goods edged up.

Food buyers were primarily interested in canned goods, frozen goods, frozen foods and baked goods. Although interest in fresh meat, poultry and fresh produce expanded appreciably, the buying of dairy products, flour and sugar was sluggish.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 7, 1958, advanced 1% above the like period last year. In the preceding week, May 31, 1958, a decrease of 1% was reported. For the four weeks ended June 7, 1958, no change was reported. For the period Jan. 1, 1958 to June 7, 1958, a decrease of 2% was reported below that of 1957.

Retail trade sales volume in New York City last week was hampered somewhat by rainy weather, but despite this, sales turnover rose by 2 to 5% above the corresponding period a year ago, trade observers estimated.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 7, 1958 advanced 2% above that of the like period last year. In the preceding week, May 31, 1958, no change was reported. For the four week ended June 7, 1958 an increase of 1% was reported. For the period Jan. 1, 1958 to June 7, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

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The Electronics Industry—A Look at the Larger Companies

sense of profit-consciousness throughout the organization.

At the same time the company's military backlog is rising sharply as its earlier pioneering work in missiles is reaching the pay-off stage. Raytheon's backlog of Government business has increased to around the $325 million level, up from $260 million in 1957, and more than double the level of two years ago. More than half of this is in missiles with the remainder in radar and other electronic equipment. Raytheon is the only electronics company which has gained a position as prime contractor for two of the nation's most advanced interceptor missiles, with complete systems responsibility for the Navy's air-to-air Sparrow III and the Army's ground-to-air Hawk. Shipments are expected to rise to around $325 million this year, up from $260 million last year, and earnings should reach a new high at around $2.50 a share or better compared to $1.70 in 1957. Sales volume of $400 million would appear possible for 1959 and a doubling in volume from present levels seems quite attainable within the next five years. Earnings should show an even larger proportionate gain as profit margins are improving steadily as a result of the internal reorganization program.

The stock, which is selling at little more than 10 times estimated earnings for this year, is one of the few pure electronics issues available and it should attain a higher price-earnings multiple as the fundamental changes that have taken place in the business become more generally realized.

International Telephone and Telegraph is a worldwide communications giant with a substantial stake in many phases of the electronics industry. The competitive position of its overseas manufacturing subsidiaries, which are the major sources of the company's sales and earnings, is comparable to that held by Western Electric in the United States. Domestic activities, which have been reorganized substantially in the past year, are expected to turn around sharply this year and produce a profit of around $3½ million compared to a loss of $3½ million in 1957—a "new turnaround" of roughly $1.00 per share. Important management changes have placed the company in the soundest competitive position in its history and its areas of interest, which include missiles, computers and letter sorting equipment, hold considerable promise for the future.

I. T. & T. stock is cheap on fundamentals. The shares at current levels around 34 are selling at less than 10 times estimated earnings for this year, and the yield is more than 5% on the regular $1.80 dividend.

To return briefly to electronics as an industry, we would like to close with the note that one should not search for special standards by which to judge the electronics business other than the time-honored measures of earnings, dividends, product acceptance and growth. As the President of one of the country's smaller, but better established, electronics companies has said "electronics knows no boundaries, but as a matter of fact you can lose more money faster in electronics than in any other field." Magic as the electronics business may be, picking good electronic investments requires only that most powerful of all magic incantations—good business sense.

With Standard Bd. & Sh.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Olin E. Maxwell has been added to the staff of Standard Bond & Share Co., Equitable Building.

Richard Selwood Opens

ILION, N. Y. — Richard W. Selwood is conducting a securities business from offices at 9 Remington Place.

M. W. Silberfarb Opens

Martin W. Silberfarb is engaging in a securities business from offices at 255-08 Sixty-first Avenue, New York City.

Form Suffolk Group

AMITYVILLE, N. Y. — The Suffolk Group, Inc. has been formed with offices at 190 Merrick Road to engage in a securities business.

Harry Grossman Opens

(Special to THE FINANCIAL CHRONICLE)

PALM SPRINGS, Calif.—Harry Grossman is engaging in a securities business from offices at 370 Via Lola.

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The Security I Like Best

on Emhart designed machines is constantly opening new markets, ranging from serum vials to ceiling lighting panels. Its sales gained 22% in 1957 to a record $12.4 million, and projected sales increases have dictated a move to a larger plant.

The ability of Emhart's management to spot a bargain is nowhere better illustrated than by its purchase in 1956 of the ailing Maxim Silencer Co. Maxim, long on patent position and engineering know-how, but short on management, was a factor in industrial silencers for diesels and other machinery and had developed a ground shusher for jet aircraft. Also among its products was a salt water evaporator to supply fresh water for ships. Emhart has now developed these water purifiers to a stage where they can economically supply whole communities with millions of gallons of fresh water daily from salt or brackish water sources. When this was announced last fall, the company was inundated with enquiries from water-short communities all over the world. Thus far there are two of these installations—in Bermuda and the Virgin Islands. The implications of Maxim's salt water evaporator are such that it could conceivably burgeon into Emhart's most important item.

Also acquired during 1956 was the Skyworker Corp., with a line of hydraulic aerial lifts used by utilities, municipalities, tree workers and general industry. Since taking it over, Emhart has introduced a special mobile model for factory and plant maintenance.

Though most of these acquisitions were made with common stock, the additional equity has quickly produced an offsetting increase in earnings. Based on present shares, earnings in 1949 were $0.93 and in 1957, $4.39. This does not include the equity in Plax's earnings, which amounted to $0.26 per share last year. Capitalization consists only of long-term notes now reduced to $1.1 million; and a present 862,028 common shares. Book value per present share has in this period grown from $10.26 to $29.77.

The current recession, with its accent on capital goods, has affected those sectors of Emhart's business. However, backlogs are such that 1958 results could come reasonably close to 1957's. At this writing the stock traded in the Over-the-Counter market, is priced only 11 times this figure. Almost any single one of Emhart's products is interesting enough to merit a look at the company. The array of these products, backed by an astute management team, marks Emhart as an unusually promising, one-company growth package.

With J. H. Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Clyde K. Nichols is now with J. H. Goddard & Co. Inc., 85 Devonshire Street, members of the Boston Stock Exchange.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard P. Caruso has joined the staff of Harris, Upham & Co., 136 Federal Street.

H. L. Robbins Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Frank V. Saulenas is now with H. L. Robbins & Co., Inc., 37 Mechanic Street.

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Forward Look, Forward March In American Banking System

some cases outsell us — and as Soviet Russia, Red China, and their satellites publicly embrace economic warfare—we are finding that we must take a new look. Without in any way minimizing their importance, I believe we are realizing that we cannot continue to rely so strongly on scientific and technological ability to keep us in the top spot. It is unfair and actually dangerous to rely solely upon such advancements and improvements, as great as they are. Rather, we must combine these accomplishments with a new determination on the part of management and labor to educate and train themselves better, work harder, produce more, be less wasteful, and hold the line better on prices. If we do that, I have no fear concerning our ability to outproduce and outsell our world competitors.

I am happy to say that I believe American banking has embraced and is maintaining just such philosophy. I know of no other line of business which has succeeded so well in supplying the public with the usual facilities and services, plus so many new, improved, complex, and helpful services, at little or no increase in cost, and has at the same time steadily strengthened its position.

Eighth World's Wonder

Truly, our American banking system is the eighth wonder of the world. We have approximately 14,000 banks and 8,000 branches. There are large banks and small banks; national and state banks; Federal Reserve member and nonmember banks; unit banks; holding company, chain, and branch banks; FDIC member and nonmembers; and par and nonpar banks. To many of our friends abroad, accustomed to a few, similar, highly centralized and tightly controlled institutions or systems, it must appear that we have a first-class hodgepodge. On the contrary, however, we have a remarkably smooth, silent, efficient, and satisfactory flow of checks and credit and interchange of information. We have melded the Federal Reserve System, our correspondent banking system, our clearing houses, and our banking organizations in such a way that the public pays little attention and actually knows little of the many sizes, types, and kinds of banks which make up our system. They know only that it functions and functions well. We clear about 10 billion bank checks, totalling $3 trillion, each year; 90% of our money transactions are handled by checks. We have 53 million checking accounts. We handle over $100 billion in currency and coin each year. We have well over $100 billion in loans outstanding. We lend money for everything from dental bridges to drawbridges, carports to airports, and kitchen ranges to cattle wagons. We provide services by telephone, mail, night and 24-hour depositories, drive-in and walk-up windows and in our lobbies. We are department stores of finance. We are proud of our system, as we should be, and we will work and fight to preserve it and improve it.

I am quite well aware of the cost-price squeeze in banking, the struggle for earnings to improve our capital positions and furnish new and improved services, and this makes our accomplishments even more remarkable.

We cannot yet adequately evaluate the effect of mechanization and automation, but I have full confidence that over the log pull they will provide us with more efficiency and lower costs. I am equally certain that, whatever the course of automation, the people in our banks will become more, not less, important. Machines can't smile, can't say "thank you," can't say "I'm sorry" when things go wrong, can't explain the things the customers want to know, and can't evidence the sincerity that people will always like to see. So a major problem of banking will continue to be the recruiting, educating, and training of bankers.

Most of the units of ABA are engaged to some degree in work in the field of banking education. Many are very heavily involved in this field. All are doing good work. However, we have felt that there is not sufficient coordination to prevent overlapping and needless duplication of effort, that there are often educational matters brought to our attention, the jurisdiction of which does not seem to be clearly indicated, and in some instances there is no unit prepared to deal with them, and that there are some yet unexplored areas in the field of education.

Banking Education Council

Therefore, we have recently established a new Council on Banking Education with Ev Reese as Chairman. The other 11 members of this new Council were chosen from various groups, including the Institute, interested in banking education, and in a manner to give the broadest posible representation.

The new Council has great plans for coordinating our efforts, exploring new fields, and offering assistance to various state and regional banking schools when called upon.

I should like to talk with you for a few moments about one particular phase of their plans. We are all deeply concerned about our relations with educators, their understanding of our activities and our problems and our understanding of theirs, the effect of their attitudes as reflected in the young men and women in colleges and universities, the mutual good that could come from better understanding, etc.

It is our earnest hope and desire that, over a period of years, we can see to it that every placement officer, dean, instructor and professor of money and banking and economics, and courses closely related, has a greater acquaintance with bankers and the work banking is doing. We know that much hs been done along this line by the Reserve City Bankers Association, many state associations and others, including the AIB; but we want to try to coordinate it, keep records, and carry it on and expand it on a systematic, sustained basis.

I realize that the Institute has been for years banking's best contact with college and high school faculty members. I know that they have served as chapter instructors on appropriate subjects, as study group instructors, authors and contributors for your textbooks, critic committee members, and as participants in your faculty and management conferences. I urge you to continue to do this and to expand it wherever possible; also, to invite as many school people as possible to appropriate meetings.

ABA is planning to obtain and maintain a record of the names and home address of these people. On such records, we will keep information as to when and where they were invited to and attended banker meetings. The names will also be used for a special mailing list.

It is our plan for ABA to invite a certain number each year, with expenses paid, to attend ABA meetings of the kind in which they will have an interest. We would like to interest the state associations and other groups to do the same in connection with their various meetings, seminars, conferences, etc. ABA will keep the central records and will furnish information from these records at any time. Such a plan will not involve a very great expense. ABA will stand the expense for those it invites to ABA meetings. We would hope that the state associations and other groups will pay the expense of those invited to attend their meetings. If they feel they cannot, or that it is preferable not to do so, they might persuade clearing houses, country organizations, or individual banks to do this. We would hope that special effort is made to see that these guests are properly looked after, made to feel at home, and given an opportunity to see what we are doing in the banking business. There is no doubt but that the association with them will also be good for us.

It is our further desire that ABA find a way to send these educators at their home addresses the magazine "Banking," and when we have studies or materials of special interest to such a group, that we mail such material to them at their home addresses. I feel certain that ABA will be able to do that. If other associations or banking groups should have need for this mailing list, it will be available to them.

If we will all join together and carry through on this relatively simple and inexpensive program, I predict that within 10 years we shall see a new picture in the relationship with educators and their attitude toward banking, that our boys and girls will have a better understanding and appreciation of banking, and that our recruiting problems will be materially diminished.

More Bankers Will Be Needed

As we take a forward look into the future, we see a nation soon to have 200 million people, desiring and requiring more and better banking services.

We see a need for many thousands of bank officers and employees — better educated, better trained, and better experienced.

We see a need for the American Bankers Association and the American Institute of Banking to become bigger, better, and stronger.

We must utilize to the utmost fertile and intelligent minds to work, think, plan, and explore.

No other organization is better equipped for the task ahead than the American Institute of Banking. What you have is much too wonderful and too valuable not to be used by many, many more banks. We must find a way to do this.

It is incumbent upon the senior officers of our banks to support your program and to participate actively in it. We must develop an increased willingness to serve as instructors and leaders. May I point out that there are among you here and among your members who are not here a great number of senior officers. Year by year AIB people are in greatly increasing numbers assuming management responsibility in our banks. As you move into such positions, please don't forget or neglect the Institute.

It is highly desirable that individual bankers, the ABA, and the Institute stimulate the conventional methods of increasing the number of chapters, study groups, and correspondence students. We must lend our energies to this, encourage our great correspondent system to aid us more, and make greater use of our school people.

But we must also rack our brains for new methods and new techniques. Your efforts to build more and better textbooks, increase orientation and skill courses, explore the possibilities of credit toward degrees and the cooperative effort you are making with the New York State Bankers Association, the results of which I am at the moment unfamiliar with but much interested in, are indicative of a realization of the need and a desire to find the answers. We must accelerate and increase our thinking and our efforts.

The American Institute of Banking, with its long and great experience, its prestige, its know-how, its unmatchable spirit, and with literally millions of dollars worth of material, is indeed the logical and qualified leader in the necessary coordinated educational effort now before us.

I have full confidence that you can and will convert this splendidly designed "Forward Look" with which you have been absorbed for the past week, into a "Forward March," and I pledge to you my assistance and cooperation and that of the ABA.

Continued from page 14

Incentive Commercial Research Key to a $600 Billion Economy

the fountainhead of our higher standard of living. In order to increase our productivity, we need new tools, new techniques, and new products generated by commercial research and supported by long-range planning by both government and industry on the commercial front.

Russia Flatly and Officially has challenged us on production. Nikita Khrushchev many times has said in public that the Soviets will out-produce the United States on all fronts—civilian as well as military. To support this claim, the Kremlin boasts that more scientists and engineers are being trained and graduated into industry, business, and agriculture than in any other country. Heavy stress is being placed on research.

It is generally agreed that Russia's economy is growing faster than ours. Today our industrial productivity is still three times that of the Soviets. We are told, however, that most Russian industries are increasing production annually at the rate of about 10%. We are still ahead, but the only certain way to stay ahead is to accelerate our rate of growth.

Government Encouragement

The Time Has Come for government to help industry expand commercial research substantially. Up to this time, industry has carried the commercial research expense alone — and in most cases only the giants can afford it. *Now* I believe it is eminently proper to ask the government to share this task with us to insure that more research is done and that it is accomplished on a broader front.

This is not a new philosophy. It has actually been voiced by the Vice-President of the United States in his speech to the American Newspaper Publishers Association on April 24, 1958, wherein he stated, in speaking of the future of our economy:

"Government Must Play a substantial part in achieving these goals. Our tax system must be revised so that it will encourage rather than curb new initiative, ingenuity, enterprise and energy. Small business must be encouraged and stimulated so that it can continue its invaluable service of pumping new blood and new ideas into our free enterprise system."

President Eisenhower, speaking on the U. S. Economy this week, had this to say: "The best hope of continued progress and growth is for business to keep offering the American consumer something better—and this means better values. Creating better values, in turn, calls for imagination and vigor in forging ahead with new and improved product developments, and in product and market research."

We are told that the government budget for fiscal 1958 was $3 billion for research and development, with $300 million going to non-military activity. We do not question the propriety of spending such large sums on research and development to insure weapon superiority; however, we do believe it proper for our government to invest in commercial research in order to insure economic superiority.

Need for Incentive Today

Our Country Operates on the incentive system. The harder we work and the more creatively we think, the greater our rewards will be. This is the basic concept of our free, capitalistic economy. Without such an incentive to spur us, this country would not be what it is today.

I, therefore, propose that the government provide industry an incentive to improve and enlarge commercial research. I am suggesting that this incentive should be in the form of a tax credit that would apply to both product and market research. I am confident that, with this incentive, activity in commercial research would *double* in a short period of time. What *that* would mean in terms of fresh ideas, new products, greater business, and additional tax revenue to the government, staggers the imagination.

Now that last point—additional tax revenue to the government—is important. Before we explore this idea further, I want to emphasize that in suggesting a tax credit of this sort, we are *not* joining the parade of those who advocate a reduction in taxes to simply permit more spending. We are making a sound business proposition—suggesting an investment on the part of both government and industry from which both parties will profit.

What will the government get out of it? I am confident that every million dollars invested by the government on this program today will return several million in future tax collections tomorrow.

Today We Are Exploring, with hope and some apprehension, the possibility of a planned disarmament. Certainly it is pertinent to raise the question: What new products and services can we develop in our civilian economy to replace the $40 billion per year that we are now spending on armaments? This is the type of long-range planning that government and industry should be considering and implementing.

Possible Avenues for Research

Let's consider for a moment a few possible avenues for commercial research.

Think for a moment what it would mean to all of us if we could develop an economical process for converting salt water into fresh water. Think for a moment what a stimulant the development of all of our new energy sources—nuclear, solar, and chemical — and the storage of these energies would be to our economy as well as to the world.

Think for a moment what doubling the amount of commercial research in electronics alone would do for education, transportation, communications, and health. Those more familiar with other indus-

tries could cite the effect of greater emphasis of research on commercial products for each of their industries.

Two quick areas that demand immediate attention are aircraft collisions and accidents and deaths on highways.

However, let's take a look at our own industry as an example of the problem that I have been attempting to describe. I cannot recall a time when we did not have something which we could look forward to in our electronic consumer products. At the time we had radio we were looking ahead to television. At the time we had black and white we were looking ahead to color. We now have color — which has yet to reach its full marketing impact—but after color, what?

The television industry, the automobile industry, and the appliance industry cannot expand the basic economy significantly merely through replacement sales or by putting new dresses on old concepts. We need basic, new ideas and we need to expand our markets through the stimulation of planned obsolescence.

Our Industry has many examples of new products resulting from research and its stimulating effect on growth and expanded employment. For instance, consider semiconductors. Here we have a new industry whose sales are forecast to be $1 billion by 1961. Significantly, it has not injured the existing tube industry because new applications and new usages were found.

Research Costs Big Money. The days are gone when a single man like Lee deForest worked long hours in a shop to develop the Audion tube. Today it takes research teams, but we should not continue to be in a position where only our *big* corporations can afford commercial research.

The reaction I have received from people I have talked to about this idea has encouraged me to spend considerable time with our tax people to develop a possible plan to implement this thought. I suggest the following broad outlines merely as a place to start, and with no particular claim that they are the complete answer.

This is my proposal:

Specifies Tax Credit Plan

I Propose That corporations be given a direct credit on their Federal taxes amounting to 35% of the amount spent on approved research and development of commercial products and services—this 35% tax credit to be over and above the fact that such expenditures would be recognized as normal business expense.

I Propose That the approved expenditures for any company be limited to 1% of the corporation's gross sales and that the tax credit be limited to 35% of such expenditures for $500,000 each year, whichever is the lesser. (See Table.)

I won't bore you with the arithmetic of this program; however it is most interesting. You will find in analyzing it that a company doing up to $100 million a year and now spending 1% of its gross sales on research could, under this program, expand its product and market research by 75%.

I have had our tax people do some research to determine just how much this potential total tax credit would be. It is their estimate that it would amount to approximately $900 million — or roughly ⅓ of the total $3 billion budget that our government allocated for military research if it were used completely.

This Tax Credit could be administered by the Treasury Department—the same as all other special tax considerations.

Obviously, there could be considerable difference of opinion as to what should be incorporated in the definition of "commercial and industrial product and market research." I am confident, however, considering the stakes involved to the well-being of our nation, that any of these differences can be resolved and that we can develop a clear, equitable, and effective program.

There is a by-product besides the advantages that expanded research would do to vitalize and expand our economy. I believe that if the proposal were to be adopted, a great number of small firms desiring and needing research, but without the facilities and manpower to pursue it, would turn, naturally, to the universities. Thus, we accomplish a much needed flow of funds into our colleges and universities. I need not expand on how significant it would be to stimulate a revitalization of our technical and marketing effort on commercial products in our universities.

I Am Confident that the basic idea I have presented can and should be implemented and submitted to the proper people in our government for study and adoption, not only by our industry, but by all who qualify. I will be glad to elaborate on this suggestion. I have some illustrations as to just how this incentive tax credit could be applied.

Let's review my proposal.

Reviews Proposal

We Are in a Battle for Survival—not just physically, but our way of life. We cannot fail. But to succeed we must have a strong and expanding economy. To accelerate the bloodstream of our economy, we need a continual flow of new products, new materials, new ideas, and new techniques from all phases of our economic life. Expanded commercial research is essential to accomplish this objective. Industry today is in a vise of rising costs and lower profit margins and cannot afford to expand its research without a new stimulant and a new incentive.

The incentive tax credit that I propose would provide this stimulant, not only for today but for a better world of tomorrow.

Our industry has become synonymous with the economy and the society of tomorrow. There is no other industry where expanded commercial research would mean as much to the economy as in electronics. We in electronics are the logical people to take the lead. Let us in industry get tuned in with our own destiny.

TAX BASED ON RESEARCH LIMIT OF 1% OF SALES BILLED

Sales Billed	Limit of Research Subject to Credit =1%	Normal Cost to Co. of Research at 1% Limit =48%	Normal Cost to Govt. of Research at 1% Limit =52% S. B.	Tax Credit =35% of Research Cost	Net Cost to Co. of Research on Proposed Basis
1,000,000---	10,000	4,800	5,200	3,500	1,300
2,000,000---	20,000	9,600	10,400	7,000	2,600
5,000,000---	50,000	24,000	26,000	17,500	6,500
7,500,000---	75,000	36,000	39,000	26,250	9,750
10,000,000---	100,000	48,000	52,000	35,000	13,000
25,000,000---	250,000	120,000	130,000	87,500	32,500
50,000,000---	500,000	240,000	260,000	175,000	65,000
100,000,000---	1,000,000	480,000	520,000	350,000	130,000
142,850,000---	1,428,500	685,680	742,820	499,975	185,705
200,000,000---	2,000,000	960,000	1,040,000	*500,000	*460,000
500,000,000---	5,000,000	2,400,000	2,600,000	*500,000	*1,900,000

*Limited by 500,000 maximum.

Continued from page 16

Now Is the Time to Build

are charged with seeing that it is done.

I think I am guessing pretty close when I say that construction of each of the 10 plants honored by "Factory Magazine" got underway about two years ago. If so, that was about the same time that the McGraw Company initiated construction of nearly $250 million worth of industrial plants for a dozen different clients. Since we were all in the same boat at the same time, I think we can collectively and quickly recount some of the construction difficulties of this recent period. Remember the trouble we had getting structural steel, remember the delays in delivery of process piping and electrical equipment. And you will probably remember some difficulties with the building trades during your construction program.

I may have news for some of you—those difficulties do not exist today!

The great availability of materials, labor, and equipment makes it a pleasure to build new plants in this year of our Lord, 1958. But more important is the fact that substantial savings can be effected by building now. These savings are to be found not only in the purchase of materials but great savings are being generated by the construction contractors themselves. Frankly we in the McGraw Company like to build in a period like this.

May Not Last Too Long

But don't be lulled into believing that this ideal situation is going to last for a long period. It may not last very long at all.

One of the most disturbing costs in plant construction is that of labor—spelled out, that means the wage scales and number of manhours of the construction craftsmen required to complete a building project. Although wage scales appear to be fairly set at the moment, we know that the various building crafts are desirous of raising those wage scales. Probably the wages will be raised. However, a labor factor just as important as the hourly scale is the availability of good building craftsmen and the efficiency of these men.

When we in the engineering and construction business estimate the cost of a new plant for a client, and endeavor to stick to that cost estimate during construction, the efficiency of the building tradesmen is probably the most problematic item. We can easily and accurately estimate the cost of materials and fairly well estimate the cost of labor based on going local scales. But efficient performance of the trades is what we constantly watch for in our cost control department. In short, we try to reduce the number of hours necessary to complete a job.

The factor of labor performance is probably the most gratifying of all in the building industry today. And surprisingly enough, the craftsmen seem to be as happy about it as we are. The fact that there is a great availability of craftsmen at this time may have some bearing.

Another factor of major importance in cost reducing is the world of new building materials now readily available, at relatively low cost, for the 1958 industrial plant. There is an abundance of gleaming aluminum products available—one of the most interesting of which is corrugated or embossed aluminum sandwich panels, easy to install, long lasting, perpetually attractive, and a contribution to good design. The plastics and ceramics industries have developed some interesting new products which help cut building costs.

The architect and engineer must show their ingenuity in putting together the new and old materials. Naturally, the client's wishes must be considered—but few are the clients building an industrial plant today who want old-fashioned gold doorknobs.

Some of these new materials present problems to the contractors in that they cause jurisdictional labor disputes. Also they require new methods of application. Some contractors find a lot of fault with the new materials, however they do represent initial ingenuity and should be handled with the same vigor and determination that were used in their invention and incorporation into new plans.

Modern construction equipment and the m o d e r n construction methods which they make possible is certainly worth noting here. Delivery on fast and efficient machines for excavation, foundation, and structural work is only a matter of hours now. The smaller power - driven tools for general construction work or erection of mechanical equipment which have recently been d e v e l o p e d are whittling down the time required to get your plant into operation. There is better scaffolding. Just as important as the modern equipment, the contractor today has a higher level of intelligence with which to work than his predecessor had 20, or even 10 years ago.

Enough for the modern tools of construction which are available to help cut costs on the construction projects of today.

Now Is the Time to Build

Now I would like to relate these factors to this specter called recession which is supposedly a deterrent to plant expansion today. I have tried to make the point that now is the time to build **from the standpoint of plant construction costs** but perhaps equally important I would like to emphasize that now is the time to build in order to forego further recession. I believe that the problem of a business recession is a business problem and should be resolved mainly by business. Seemingly one of the outstanding features of this purported recession is unemployment. Facts and figures seem to indicate that if we eliminate the unemployment, we eliminate the recession.

There is no better way to eliminate unemployment than by accelerating building. And plant expansion has become a major facet of the building business. The building of $130 million worth of plants represented in the **factory** awards competition directly and indirectly generated approximately $60 million in salaries in nearly every conceivable industry in America — not including work created for the building craftsmen, architectural, engineering, and other professional personnel who helped build your plants.

It generated employment for the steel industry, the hardware industry, machine tool industry, the insurance industry, the roofing industry, the glass industry, the electrical and appliance industry, transportation, the paint industry, the office furniture industry and even the rug industry. I am quite sure you could name several other major and minor industries that received large production orders as a result of your new plant.

Supports the Economy

I believe I can safely say—though at the risk of picking a quarrel with the automotive industry—that the construction industry has more supporting industries than any other particular industry in the country.

Making a quick check in our purchasing department I learned that the McGraw Company in the last two years purchased approximately 50,000 tons of steel; 2,500 miles of electrical wire and cable; 15 million board feet of lumber; and we poured 250,000 cubic yards of concrete.

Quickly looking over the 10 corporations whose plants have been by "Factory Magazine," I see six which the McGraw Company in its various construction programs during the past two years has purchased products or equipment from.

I would like to point out that through the direct wages paid to construction workers during your plant construction program, you indirectly aided many other industries by virtue of the fact that the construction men went out and purchased automobiles, homes, clothing, wrist watches, finger bowls, neckties, or whatever else the modern man of America requires in his particular scheme of things.

So when we take a close look at what capital expansion means to employment, or to the elimination of unemployment if you prefer, and to production in general, we can syllogize with a conclusion that instead of recession being a deterrent to capital expansion, capital expansion is a deterrent to recession.

I am heartened by a recent figure published in the "Journal of Commerce" which shows that plans have been made for $34 billion to be spent on new plants and equipment this year. Whether or not this is an exaggerated or unrealistic figure I cannot say, but new plant construction contracts placed so far this year would seem to belie it. However, I have no doubt that there is a large volume of new plant expansion on the drafting tables or in a cubby-hole behind the vice-president's desk.

The process of capital expansion, if successfully followed, would of course contribute a great deal to end the present unemployment, bottom out this recession, and hopefully start our economy on the way up again—and in so doing perform a double purpose—be of direct benefit to the company building a new plant at a time that may be the most economical within the foreseeable future, and also be of indirect benefit to the process of curbing the recession.

What I most hope that we don't do—and this time I mean 170 million people—is to give the Federal Government a cost-plus contract to pull us out of the recession.

Joins Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Martin S. Phillips is now with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. He was previously with Henry Hartman.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—William H. Grueber and Oscar W. Weber have become affiliated with Merrill Lynch, Pierce, Fenner & Smith, 6353 Hollywood Boulevard.

Joins Bennett-Manning

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert J. Bennett has become connected with Bennett-Manning Company, 8417 Beverly Boulevard.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roscoe T. Olmsted is with Dempsey-Tegeler & Co., 210 West Seventh Street.

Dean Witter Adds

LOS ANGELES, Calif.—Joseph D. Ryan has been added to the staff of Dean Witter & Co., 632 South Spring Street.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Air Craft Marine Engineering Corp.
May 28 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For operating expenses for one year; manufacturing expenses; expenses for materials and retirement of loans and balance for general fund of the company. **Office**—15759 Strathern St., Van Nuys, Calif. **Underwriter**—None.

Albermarie Paper Manufacturing Co., Richmond, Va. (6/24)
June 3 filed $3,500,000 of 5½% convertible subordinated debentures due 1978 to be offered for subscription by holders of the company's class A and class B common stock at the rate of $100 of debentures for each 20 shares of class A or class B common held of record June 20, 1958. **Price**—To be supplied by amendment. In addition to the debenture offering, Albemarle Paper and two of its subsidiaries, Halifax Paper Co., Inc., and Seaboard Mfg. Co., have agreed to sell privately to two insurance companies $10,500,000 of new first mortgage refunding bonds. **Proceeds**—To be used in part for refunding of debt and payment of bank loan, and in part for new productive facilities. **Underwriter** — Scott & Stringfellow, Richmond, Va.

Allied Laboratories, Inc.
June 6 filed 65,000 shares of common stock to be offered in exchange for all the outstanding shares of common stock of Campana Sales Co.

★ Aluminum Top Shingle Corp.
June 9 (letter of notification) 150,000 voting shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For inventory, improvements to buildings and working capital. **Office**—245 S. W. 133rd St., Beaverton, Ore. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Durox Corp., Englewood, Colo.
May 1 filed 2,500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of new plant and establishment of the business at Tampa, Fla., including payment of the balance due on a plant site. **Underwriter**—I. A. I. Securities Corp., 3385 S. Bannock Street, Englewood, Colo.

● American Heritage Life Insurance Co., Jacksonville, Fla. (6/25)
June 5 filed 941,564 shares of common stock (par $1) to be offered for subscription by common stockholders of record June 24, 1958, at the rate of one additional share for each one and one-half shares then held; rights expire July 9. **Price** — To be supplied by amendment. **Proceeds**—For working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith, New York, and Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

American Houses, Inc.
June 3 (letter of notification) 27,575 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To improve the company's net current asset position. **Office**—South Aubrey & East South Streets, Allentown, Pa. **Underwriter**—None.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

★ American Natural Gas Co.
June 12 filed $6,000,000 of participations in the Natural Gas System Companies Employees Savings Plan, and 48,633 shares of common stock (par $25) of the company.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Arden Farms Co., Los Angeles, Calif.
June 4 filed $3,000,000 of 5% subordinated debentures, second series, due July 1, 1986 (convertible until July 1, 1968), together with 172,162 shares of the company's common stock (par $1) to be offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on the effective date of this registration statement. **Price**—To be supplied by amendment. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000.

Arkansas Western Gas Co.
May 5 filed 55,774 shares of common stock (par $5) to be offered for subscription by stockholders of record May 28, 1958, at the rate of one additional share for each 10 shares then held; rights to expire on June 17 (with an oversubscription privilege). **Price**—$15 per share. **Proceeds**—For property additions and improvements. **Office**—Fayetteville, Ark. **Underwriter**—None.

Asotin Telephone Co., Asotin, Wash.
May 20 (letter of notification) 500 shares of 5½% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—For construction of lines and increase of plant necessary to extend the service. **Underwriter**—None.

Atlanta Gas Light Co. (6/27)
June 5 filed 121,317 shares of common stock (par $10) for subscription by the holders of the company's outstanding common stock on the basis of one new share for each eight shares held of record June 26, 1958; rights to expire on July 11. **Price**—To be supplied by amendment. **Underwriter** — First Boston Corp., New York, Courts & Co. and Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga **Underwriter**—None.

Bankers Management Corp. (7/14)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

Billups Eastern Petroleum Co. (6/25)
May 29 filed $2,500,000 of 7% debentures due July 1, 1993, and 650,000 shares of common stock (par $1) to be offered for sale in units, each consisting of $1,000 of debentures and 20 common shares. **Price** — $1,000 per unit. **Proceeds**—To acquire all of the assets of Orlando Fuel Oil Co., Inc., Florida Service Corp., Billups Petroleum Co. of Georgia, Inc., Billups Petroleum Co. of N. C., Inc, Billups Petroleum Co. of S. C., Inc., Florida Friend Oil Co., Inc., and Your Friend Oil Co., Inc. **Office**—Jacksonville, Fla. **Underwriter** — The Johnson, Lane, Space Corp., Savannah, Ga.

Blake & Neal Finance Co.
May 26 (letter of notification) $300,000 principal amount of 6% promissory notes in denominations of $500 each and multiples thereof. **Price** — At par. **Proceeds** — For working capital. **Office**—1939 E. Burnside St., Portland, Ore. **Underwriter**—None.

Bonanza Air Lines, Inc., Las Vegas, Nev. (6/19)
May 29 filed 470,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—Together with proposed borrowings, for repayment of loans, for working capital, and other corporate purposes. **Underwriter**—William R. Staats & Co., Los Angeles, Cal.

Brockton Edison Co.
May 20 (letter of notification) 538 shares of common stock (par $25) to be offered to minority stockholders of record June 2, 1958 on the basis of one new share for each 12 shares of common stock outstanding. Rights expire June 24, 1958. (Total offering 21,664 shares and Eastern Utilities Association, a single majority holder, will purchase unsubscribed shares as well as its prorata allotment). **Price**—$65 per share. **Proceeds**—For payment of notes to banks. **Underwriter**—None.

● Budget Finance Plan, Los Angeles, Calif. (9/3)
June 10 filed $1,320,000 6% serial preferred shares ($10 par). **Price**—To be supplied by amendment. **Proceeds**—To be used in conjunction with proposed merger of company and Signature Loan Co., Inc. Stockholders of Budget Finance will vote on proposal Aug. 5, 1958. **Underwriter**—Shearson, Hammill & Co., New York. **Offering**—Expected in September.

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1). These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

● Canada Southern Petroleum Ltd. (6/23)
May 21 filed voting trust certificates for 400,000 shares of capital stock (par $1—Canadian). **Price**—To be related to the current market prices or quotations on the American Stock Exchange immediately prior to such offering. **Proceeds** — For general corporate purposes. **Office** — Calgary, Alta., Canada. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

Central Cooperatives, Inc.
May 26 (letter of notification) $250,000 promissory notes consisting of 4% 6-year notes and $150,000 of 5% 9-year notes. **Price**—At par (in multiples of $100). **Proceeds**—To retire notes and for working capital. **Office** — 1901 Winter St., Superior, Wis. **Underwriter**—None.

Central Illinois Light Co. (6/24)
May 28 filed $12,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Smith and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 24 at 300 Park Ave., New York, N. Y.

● Chesapeake Utilities Corp. (6/24)
May 26 filed $700,000 of 6% debentures due 1983 and 114,030 shares of common stock (par $2.50), the debentures and 42,000 shares of stock to be offered in units consisting of a $100 debenture and six shares of stock; the remaining 72,030 shares to be offered separately. **Price**—$130 per unit; and $6 per share. **Proceeds**—To purchase from Eastern Shore Natural Gas Co., a subsidiary, its $[illegible]50,000 of 25-year 6% convertible subordinated notes, $245,000 of its 25-year subordinated notes, and additional shares (unspecified) of its common stock, at an aggregate price of $1,215,000 plus interest, if any, on the notes **Underwriter**—Harrison & Co., Philadelphia, Pa.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Cosmos Industries, Inc. (6/25)
April 16 filed 280,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To pay bank loans and for working capital and other corporate purposes. **Underwriter**—Netherlands Securities Co., Inc., 30 Broad St., New York.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates, each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None.

Davis Brothers, Inc.
June 5 (letter of notification) 1,400 shares of $6 cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—501 West 44th Ave., Denver, Colo. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

Dayton Aviation Radio & Equipment Corp. (7/1)
May 28 filed 500,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter** — McDonald, Holman & Co., New York.

DeKalb-Ogle Telephone Co.
May 29 (letter of notification) 22,024 shares of common stock to be offered to stockholders of record June 16, 1958 on the basis of one share for each eight shares now held. Rights expire July 16, 1958. **Price**—At par ($10 per share). **Proceeds**—For a construction program. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

• Denver Acceptance Corp., Denver, Colo.
May 19 filed 1,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To engage, through one or more subsidiary companies to be formed or acquired, in the business of writing life insurance and annuity policies. **Underwriter**—DAC Securities Corp., Denver, Colo.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Dewey Portland Cement Co. (6/25)
May 29 filed 79,000 outstanding shares of the company's class A non-voting common stock (par $7.50). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

Dieterich Field, Inc.
June 2 (letter of notification) 500 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—923 Farnam St., Omaha, Neb. **Underwriter**—None.

★ Diketan Laboratories, Inc.
June 10 (letter of notification) 43,336 shares of common stock (par $1) to be offered to stockholders on the basis of one share for each 10 shares held until the close of business on June 20, 1958. Offer expires on July 11, 1958. **Price**—$1.10 per share. **Proceeds**—For the general fund of the company. **Office**—5837 W. Adams Blvd., Culver City, Calif. **Underwriter**—Lloyd Arnold & Co., Beverly Hills, Calif.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office**—Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Indefinitely postponed. Other financing may be arranged.

Dresser Industries, Inc.
Feb. 28 filed 128,347 shares of common stock (par 50¢) being offered in exchange for outstanding common stock of the Elgen Corp. on the basis of one share of Dresser Industries common for 3.4 shares of Elgen's common No exchanges will be made unless the exchange offer is accepted by the holders of at least 80% of the outstanding Elgen common, and Dresser will not be obligated to consummate any exchanges unless the offer is accepted by the holders of at least 95% of the outstanding Elgen common. The offer will expire on June 17, unless extended. **Underwriter**—None.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

Evergreen Gas & Oil Co.
June 2 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For working capital. **Office**—E. 12707 Valleyway, Opportunity, Spokane, Wash. **Underwriter**—Pennaluna & Co., Spokane, Wash.

European Coal & Steel Community (High Authority of) (6/25)
June 5 filed $25,000,000 secured bonds due July 1, 1978 and $15,000,000 serial secured notes maturing July 1, 1961-1963. **Price**—To be supplied by amendment. **Proceeds**—For iron and coal loans. **Underwriter**—First Boston Corp., Kuhn, Loeb & Co., and Lazard Freres & Co., all of New York. **Offering**—Expected June 25.

Fall River Electric Light Co.
May 20 (letter of notification) 411 shares of capital stock (par $25) to be offered to minority stockholders of record June 2, 1958 on the basis of one share for each 12 shares outstanding. Rights expire June 24, 1958. Total offering 18,771 shares of which 18,360 shares being subscribed by Eastern Utilities Association, the single majority holder and also will purchase unsubscribed shares.) **Price**—$48 per share. **Proceeds**—To make partial payment of notes to banks. **Office**—85 North Main St., Fall River, Mass. **Underwriter**—None.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

NEW ISSUE CALENDAR

June 19 (Thursday)
Bonanza Air Lines, Inc.____Common
(William R. Staats & Co.) $1,750,000
Mountain Fuel Supply Co.____Debentures
(The First Boston Corp.) $16,000,000

June 23 (Monday)
Canada Southern Petroleum Ltd.____Common
(Paine, Webber, Jackson & Curtis) 400,000 shares
Pacific Gas & Electric Co.____Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 853,781 shares

June 24 (Tuesday)
Albemarle Paper Manufacturing Co.____Debentures
(Offering to stockholders—Scott & Stringfellow) $3,500,000
Central Illinois Light Co____Bonds
(Bids 11 a.m. EDT) $12,000,000
Chesapeake Utilities Corp.____Common & Debs.
Harrison & Co.
Mansfield Tire & Rubber Co.____Debentures
(A. G. Becker & Co., Inc.) $7,511,400
Missiles-Jets & Automation Fund, Inc.____Common
(Ira Haupt & Co.) $5,000,000
Pacific Power & Light Co.____Bonds
(Bids 9 a.m. PDT) $20,000,000
Tennessee Gas Transmission Co.____Common
(Dillon, Read & Co., Inc.) 1,084,054 shares

June 25 (Wednesday)
American Heritage Life Insurance Co.____Common
(Merrill Lynch, Pierce, Fenner & Smith, and Pierce, Carrison, Wulbern, Inc.) 941,564 shares
Billups Eastern Petroleum Co.____Com. & Debs.
(The Johnson, Lane, Space Corp.) $2,500,000
Cosmos Industries, Inc.____Common
(Netherlands Securities Co., Inc.) $700,000
Dewey Portland Cement Co.____Common
(G. H. Walker & Co.) 79,000 shares
European Coal & Steel Community (High Authority of)____Bonds
(First Boston Corp., Kuhn, Loeb & Co., and Lazard Freres & Co.) $40,000,000
Mutual Securities Fund of Boston____Shares
(Keller Brothers Securities Co., Inc.) $2,128,000
San Diego Imperial Corp.____Preferred
(J. A. Hogle & Co.) $700,000
Standard Oil of Calif.____Debentures
(Blyth & Co., Inc. and Dean Witter & Co.) $150,000,000
United Gas Corp.____Debentures
(Bids noon EDT) $40,000,000
Wilson & Co. Inc.____Debentures
(Smith, Barney & Co.; Glore, Forgan & Co.) $15,000,000

June 26 (Thursday)
Jetronic Industries Inc.____Common
(Mortimer B. Burnside & Co.)
Lazard Fund, Inc., N. Y.____Common
(Lazard Freres & Co.) 6,000,000 shares

June 27 (Friday)
Atlanta Gas Light Co.____Common
(First Boston Corp., Courts & Co., and Robinson-Humphrey Co., Inc.) 121,317 shares

June 30 (Monday)
Orange & Rockland Utilities, Inc.____Bonds
(Bids 11 a.m. EDT) $10,000,000

July 1 (Tuesday)
Chicago, Burlington & Quincy RR.____Eq. Tr. Ctfs.
(Bids to be invited) $4,650,000
Dayton Aviation Radio & Equipment Corp.____Com.
(McDonald, Holman & Co.) $500,000
Florida Power Corp.____Bonds
(Bids 11:30 a.m. EDT) $25,000,000
Grand Union Co.____Debentures
(Offering to stockholders—underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.) $10,450,000
Potomac Plastic Co.____Debs. & Stock
(Whitney & Co.) $115,000
Salem-Brosius, Inc.____Debentures
(Blair & Co., Inc.) $2,000,000
Salem-Brosius, Inc.____Common
(Blair & Co., Inc.) $281,250

July 2 (Wednesday)
Martin Co.____Debentures
(Smith, Barney & Co.) $25,000,000

July 7 (Monday)
Laclede Gas Co.____Preferred
(Lehman Brothers and Merrill Lynch, Pierce, Fenner & Smith) $8,000,000

July 8 (Tuesday)
Laclede Gas Co.____Bonds
(Bids to be invited) $10,000,000
Northern States Power Co. (Minn.)____Bonds
(Bids 11 a.m. EDT) $30,000,000

July 9 (Wednesday)
New York Telephone Corp.____Bonds
(Bids 11 a.m. EDT) $65,000,000
Northwestern Public Service Co.____Common
(Offering to stockholders—underwritten by A. C. Allyn & Co.) 59,532 shares

July 10 (Thursday)
Boston Edison Co.____Preferred
(The First Boston Corp.) $25,000,000
Southern Natural Gas Co.____Debentures
(Bids to be invited) $30,000,000

July 14 (Monday)
Bankers Management Co.____Common
(McDonald, Holman & Co., Inc.) $400,000

July 16 (Wednesday)
Norfolk & Western Ry.____Equip. Trust Ctfs.
(Bids to be invited) $2,340,000

July 17 (Thursday)
Tampa Electric Co.____Bonds
(Bids 11 a.m. EDT) $25,000,000

July 23 (Wednesday)
Otter Tail Power Co.____Bonds
(Bids to be invited) $9,000,000
Washington Water Power Co.____Common
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co., and Laurence M. Marks & Co.) 200,000 shares
Washington Water Power Co.____Bonds
(Kidder, Peabody & Co., Inc.; Blyth & Co., Inc.; White, Weld & Co., and Laurence M. Marks & Co.) $15,000,000

August 11 (Monday)
Utah Power & Light Co.____Bonds
(Bids 11:30 a.m. PDST) $20,000,000

August 26 (Tuesday)
New England Telephone & Telegraph Co.____Debens.
(Bids to be invited) $40,000,000

September 3 (Wednesday)
Budget Finance Plan____Preferred
(Shearson, Hammill & Co.) $1,320,000

September 4 (Thursday)
Montana Power Co.____Bonds
(Bids to be invited) $20,000,000

September 23 (Tuesday)
Southwestern Bell Telephone Co.____Debentures
(Bids to be invited) $110,000,000

Fidelity Bankers Life Insurance Corp.
March 7 filed 450,000 shares of common stock (par $1) to be offered for subscription by holders of outstanding stock on a pro rata basis; thereafter the balance remaining, if any, will be offered to the public. **Price**—$5 per share to stockholders; and to the public at a price to be determined. **Proceeds** — For expansion and other corporate purposes. **Office**—Richmond, Va. **Underwriter**—None.

First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. **Price**—100% of principal amount. **Proceeds**—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. **Underwriter**—None.

★ Flexible Tubing Corp., Guilford, Conn.
June 9 (letter of notification) 61,879 shares of common stock (par $1) to be offered to holders of common stock purchase warrants due April 1, 1964. **Price**—$5.45 per share if warrants are exercised prior to April 1, 1960. **Proceeds**—For working capital. **Underwriter**—None.

Florida Power Corp. (7/1)
May 29 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To pay off temporary bank loans of $16,000,000 incurred to meet costs of the company's construction program and the balance will be applied to the 1958 construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on July 1.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Statement to be amended.

Fort Pierce Port & Terminal Co.
May 23 filed 2,138,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay some $174,000 of outstanding indebtedness and to complete phase one of the port development plan, at a cost of $1,425,248, and the balance will be added to working capital. **Office**—Fort Pierce, Fla. **Underwriter**—Atwill & Co., Inc., of Miami Beach, Fla., on a best efforts basis.

Four Corners Oil & Gas Co., Denver, Colo.
March 25 filed 400,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To pay off debts and for drilling and exploration costs. **Underwriters**—None.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40,000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Buckley Enterprises, Inc.

Getty Oil Co., Wilmington, Del.
April 11 filed 2,170,545 shares of common stock (par $4) being offered in exchange for capital stock (par $5) of the Mission Development Co., on basis of one share of Getty stock for each 1.2 shares of Development stock, or five shares of Getty for six shares of Development stock. Offer to expire on June 25 at 3:30 p.m. (EDT).

Glassheat Corp.
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1 E. 35th Street, New York 16, N Y **Underwriter**—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y.

★ Government Employees Life Insurance Co.
June 6 (letter of notification) covering approximately 650 shares of capital stock (par $1.50) representing fractional interest of stockholders resulting from 2½% stock dividend payable June 25, 1958, to be offered to stockholders of record on June 6, 1958. **Price**—At market. **Proceeds**—To go to stockholders **Office**—1021 14th St., N. W., Washington 5, D. C. **Underwriter**—None.

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★ Grand Union Co. (7/1)
June 12 filed 10,450,000 of subordinated debentures, due 1978, to be offered to common shareholders in the ratio of $100 debentures for each 23 shares of stock held on July 1. Rights to expire on July 21. Debentures to be convertible into common stock until July 15, 1968. **Proceeds**—To be used in part to retire all outstanding short-term bank borrowings, including those incurred in connection with the recent acquisitions of the 41 "Empire Stores" and 7 "Mohican Stores," the aggregate purchase price being approximately $8,000,000, to replenish cash expended in these acquisitions, and to pay the unpaid balance of the purchase price. The remainder will be added to the company's general funds and will be available for working capital and installation of fixtures for new stores. **Underwriter** — Morgan Stanley & Co. and W. E. Hutton & Co., both of New York.

Guaranty Trust Co. of N. Y.
June 10 filed 50,000 American Depositary Receipts for bearer shares of Compagnie D'Outremer Pour L'Industrie Et La Finance ("The Overseas Company for Industry and Finance"). A Belgian Investment Co.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. Price—$10 per share. Proceeds—For working capital and general corporate purposes. **Underwriter** — None.

H. & B. American Machine Co., Inc.
May 9 filed $1,024,944 of 5% collateral notes, due June 15, 1968 (subordinated) and 256,236 shares of common stock (par 10 cents) to be offered together with cash in exchange for the outstanding common stock (par $20) of General Trading Co. on the basis of (a) three shares of American Machine common (b) $12 principal amount of 5% notes, and (c) $5 in cash, for each of the 85,412 outstanding shares of General Trading common stock The offer is conditioned, among other things, upon its acceptance by holders of not less than 68,330 shares of the General Trading stock. Offer expires June 25. **Office**—Culver City, Calif. **Dealer-Manager**—Kalman & Co., Inc., St. Paul, and Minneapolis, Minn.

★ Hawkes Cage System, Inc., Rockville, Md.
June 11 (letter of notification) 15,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For inventory and working capital. **Underwriter**—None.

★ Hoagland & Dodge Drilling Co., Inc., Tucson, Ariz.
June 12 (letter of notification) 27,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. **Underwriter**—None.

Houston Chemical Manufacturing Co.
May 26 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For supplies, advertising, furniture and working capital. **Office**—710 South Fourth St., Las Vegas, Nev. **Underwriter**—None.

H.W.I. Building Corp., Ft. Wayne, Ind.
June 2 (letter of notification) $180,000 principal amount of 5% first mortgage bonds series C in units of $500 each. **Price**—Par per unit. **Proceeds**—To be used to pay cost of constructing an addition to warehouse. **Underwriter**—None.

Idaho Mining & Milling, Inc.
May 19 (letter of notification) 15,000,000 shares of non-assessable common stock. **Price**—At par (two cents per share). **Proceeds** — For mining and milling expenses. **Office**—504 16th Ave., Lewiston, Idaho. **Underwriter**—None.

Illinois Bell Telephone Co.
May 9 filed 370,792 shares of common capital stock being offered for subscription by stockholders of record May 29, 1958, at the rate of one new share for each six shares held; rights to expire on June 30. Minority stockholders own 5,934 shares. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., and for property additions and improvements. **Underwriter**—None.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department **Underwriter** — S D Fuller & Co., New York. **Offering**—Being held in abeyance.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. **Underwriter**—None Ben H. Hazen is President.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—Denver, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

Janaf, Inc., Washington, D. C.
July 30, 1957 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working caiptal, etc. **Underwriter**—None. Statement effective.

Jetronic Industries, Inc., Philadelphia, Pa. (6/26)
May 27 filed 130,000 shares of common stock (par 10 cents). **Price**—$3.75 per share. **Proceeds**—For research and development and for working capital. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York, on a best efforts basis.

★ Laclede Gas Co. (7/7)
June 18 filed 320,000 shares of cumulative preferred stock, Series B (par $25). **Proceeds**—To retire bank loans and for construction program. **Price**—To be supplied by amendment. **Underwriters** — Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith, both of New York, and Reinholdt & Gardner, St. Louis.

★ Laclede Gas Co. (7/8)
June 18 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on July 8.

Ladley (William H.)
May 22 (letter of notification) pre-incorporation subscription agreement to 24,000 shares of class B stock of Produce Marketers. **Price** — At par ($2.50 per share). **Proceeds**—For working capital. **Office**—Room 302, 611 South Carolina St., Los Angeles, Calif. **Underwriter**—None.

● Lancaster Chemical Corp.
May 26 (letter of notification) 122,115 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held, with additional subscription privileges subject to allotment. Record date: June 9, 1958; rights expire July 11, 1958. **Price** — $1.50 per share. **Proceeds**—To repay outstanding debts to purchase real property and for working capital. **Office** — Broad and 13th St., Carlstadt, N. J. **Underwriter**—None.

Lancer Industries, Inc.
May 26 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For purchase of equipment, raw materials, inventories and supplies and for other working capital. **Office**—1827 N. E. 144th St., North Miami, Fla. **Underwriter**—None.

★ Laughlin Alloy Steel Co., Inc., Las Vegas, Nev.
June 13 filed $500,000 of 6% convertible debentures due June 30, 1968 and 150,000 shares of common stock. These securities are to be offered in units, each consisting of $100 of debentures and 30 common shares. **Price**—$100 per unit. **Proceeds**—Together with the $175,000 mortgage loan of the American Brake Shoe Co., will be used to meet expenditures in acquiring latter company's South San Francisco foundry and for working capital. **Underwriter**—Sam Watson Co., Inc., Little Rock, Ark.

● Lazard Fund, Inc., N. Y. (6/26)
June 18 by amendment increased from 2,500,000 shares to 6,000,000 number of shares of capital stock (par $1). **Price**—$15 per share. **Proceeds**—For investment. **Underwriter**—Lazard Freres & Co., New York.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). Price—$5 per share. Proceeds—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." Underwriter—First Maine Corp., Portland, Me

Magna Investment & Development Corp.
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. **Price**—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. **Proceeds**—For contractual obligations, for working capital, and other general corporate purposes. **Business** — To engage primarily in the development and operation of various properties, including shopping centers. **Office**—Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. Statement to be amended.

Mansfield Tire & Rubber Co. (6/24)
June 4 filed $5,000,000 of sinking fund debentures, due July 1, 1973, and $2,511,400 of convertible subordinated debentures, due July 1, 1973. Convertible subordinated debentures are to be offered for subscription by common stockholders of record June 24, 1958, at the rate of $100 principal amount of debentures for each 22 common shares then held. Rights expire July 10. **Price**—For sinking fund debentures to be supplied by amendment. **Proceeds**—To redeem and retire outstanding debentures and other securities. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

Martin Co., Baltimore, Md. (7/2)
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ Mengel Co.
June 11 (letter of notification) an undetermined number of shares of common stock not to exceed $50,000 (par $1) to be sold by Concura Foundation, Chicago, Ill. **Price**—At the market. **Office**—4th & Colorado Sts., Louisville, Ky. **Underwriter**—None.

Metropolitan Hotel Corp., Portland, Ore.
May 27 filed $3,000,000 of 4% 25-year sinking fund debentures due July 1, 1983. **Price**—At par. **Proceeds**—For construction program and working capital. **Subscription Agent** — The Hockenbury System, Inc., Portland, Ore.

Mid-America Minerals, Inc., Oklahoma City, Okla.
June 3 filed $199,000 of working interests in the Buffalo Prospect. Buffalo Prospect consists of all the rights of Mid-America under a certain farmout agreement between the company and Shell Oil Co. Agreement covers the oil and gas leasehold in a total of approximately 1,600 acres in Harding County, South Dakota.

Missiles-Jets & Automation Fund, Inc. (6/24)
May 8 filed 500,000 shares of capital stock (par $1). **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—Ira Haupt & Co., New York.

Modern Community Developers, Inc., Princeton, N. J.
May 27 filed 15,000 shares of common stock. **Price**—$100 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). Price—$5 per share. Proceeds—For purchase of land, construction and working capital. Underwriter—Southeastern Securities Corp., New York.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

● Mutual Securities Fund of Boston (6/25)
May 27 filed 200,000 shares of beneficial interest in the Fund. **Price**—$10.64 per share. **Proceeds**—For investment. **Underwriter**—Keller Brothers Securities Co., Inc., Boston, Mass.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. Price—To be supplied by amendment. Proceeds — To reduce bank loans. Underwriters — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—To be made in July.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). Price—$2 per share. Proceeds—To pay loan; to acquire fishing tools for leasing; and for working capital. Office—931 San Jacinto Bldg., Houston, Tex. Underwriter—T. J. Campbell Investment Co., Inc., Houston, Tex.

New England Telephone & Telegraph Co.
May 16 filed 735,245 shares of common stock to be offered for subscription by stockholders of record June 11 on the basis of one new share for each five shares held; rights to expire on July 11. American Telephone & Telegraph Co. owns about 2,547,411 shares (about 69.29%) of the outstanding stock. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent and for corporate purposes. **Underwriter**—None.

★ New York Telephone Co. (7/9)
June 17 filed amended statement covering $65,000,000 Series K refunding mortgage bonds due July 1, 1993. **Proceeds**—To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received until 11 a.m. (EDT) on July 9 at 140 West Street, N. Y.

Nichols, Inc., Exeter, N. H.
May 13 (letter of notification) 11,111 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None.

Norfolk & Carolina Telephone & Telegraph Co., Elizabeth City, N. C.
May 22 (letter of notification) 3,000 shares of common stock to be offered to common stockholders on the basis of one share for each four shares of common stock held on June 5, 1958 at par ($100 per share). No underwriting is involved. The proceeds are to be used to retire short-term open notes and for working capital.

● Northern Indiana Public Service Co.
June 2 filed 374,500 of common stock to be offered for subscription by common stockholders of record at 2 p.m. on June 16, 1958, at the rate of one additional share for each 10 shares then held. Offer expires July 7. **Price**—$40.50 per share. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—Dean Witter & Co., Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Smith, all of New York.

Northern States Power Co. (Minn.) (7/8)
May 29 filed $30,000,000 of first mortgage bonds due July 1, 1988. **Proceeds** — To refund $18,000,000 of 5% bonds and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 8.

Northern Virginia Doctors Hospital Corp.
April 4 (letter of notification) 30,000 shares of common stock (par one cent). **Price**—$10 per share. **Proceeds**—For building fund. **Office** — 522 Leesburg Pike, Falls Church, Va. **Underwriter**—Whitney & Co., Washington, D. C.

• **Northwestern Public Service Co. (7/9)**
June 6 filed 59,532 shares of common stock (par $3) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. The record date is to be supplied by amendment. **Price**—To be supplied by amendment. **Proceeds**—To be applied to the payment of $900,000 of short term bank notes, the funds from which were used for the 1957 construction program, and the balance if any, will be applied to the company's 1958 construction program. **Underwriter** — A. C. Allyn & Co., Chicago, Ill.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various equipment, and a reserve for future operations. **Business**—To acquire and operate mining claims and oil and gas properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

Orange & Rockland Utilities, Inc. (6/30)
May 29 filed $10,000,000 of first mortgage bonds, series F due 1988. **Proceeds** — For construction program and bank loans incurred in connection with the company's construction program and the retirement of preferred stock of The Orange and Rockland Electric Co. (a predecessor) also to purchase 20,000 shares of Rockland Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; W. C. Langley & Co.; Equitable Securities Corp. **Bids**—To be received up to 11 a.m. (EDT) on June 30.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

• **Pacific Gas & Electric Co. (6/23)**
May 27 filed 853,781 shares of common stock (par $25) to be offered for subscription by common stockholders of record June 17, 1958 at the rate of one new share for each 20 shares then held; rights to expire on July 8, 1958. **Price**—$52 per share. **Proceeds** — To repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

Pacific Power & Light Co. (6/24)
May 20 filed $20,000,000 of first mortgage bonds due July 1, 1988. **Proceeds**—Together with other funds, will be used in carrying forward the company's construction program through 1958 and in retiring bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Bear, Stearns & Co., and Salomon Brothers & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly). **Bids**—To be received up to noon (EDT) on June 24 at Room 2033, Two Rector Street, New York 6, N. Y.

Palestine Economic Corp., New York
March 31 filed $2,000,000 of 5% notes, due Oct. 1, 1963 to be offered in two types: (a) interest-bearing notes with interest payable at the rate of 5% and at an offering price of 100% of principal amount; and (b) capital-appreciation notes, at a discount from maturity value so as to yield 5% compounded semi-annually. **Proceeds**—For making investments and loans in companies or enterprises that the corporation is already financially interested in, or for other corporate purposes. **Underwriter**—None.

• **Paradox Production Corp., Salt Lake City, Utah**
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah. Statement effective June 5.

Paxton (Frank) Lumber Co.
May 26 (letter of notification) 15,000 shares of common stock (par $5) to be offered to employees. **Price**—$12.80 per share. **Proceeds**—To redeem common stock. **Office**—6311 St. John Ave., Kansas City, Mo. **Underwriter**—None.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pecos Valley Land Co., Carlsbad, N. Mex.
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas.

Peoples Protective Life Insurance, Co.
March 27 filed 310,000 shares of common stock (par $1), consisting of 62,000 shares of class A-voting stock and 248,000 shares of class B-non-voting stock to be offered in units consisting of one class A and four class B shares. **Price** — $75 per unit. **Proceeds** — For working capital and for development of district offices in the states where the company is currently licensed to do business. **Office**—Jackson, Tenn. **Underwriter**—None. R. B. Smith, Jr., is President and Board Chairman.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

Potomac Plastic Co. (7/1)
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds** — For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

Printing Machinery Co.
June 4 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For the purchase of the manufacturing assets of another company. **Office**—436 Commercial Square, Cincinnati, Ohio. **Underwriter**—None.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds** — To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

Rand Drilling Co., Inc.
May 12 (letter of notification) 100,000 shares of class A common stock (par 50 cents) and 50,000 shares of class B common stock (par 50 cents) to be offered in units of two shares of class A and one share of class B stock. **Price**—$4.50 per unit. **Proceeds**—For expenses incidental to drilling for oil. **Office**—111½ E. St. Peter St., New Iberia, La. **Underwriter** — T. J. Feibleman & Co., New Orleans, La.

★ **Richfield Oil Corp., Los Angeles, Calif.**
June 23 filed 200,000 shares of common stock (no par) to be offered to officers and key employees (including directors who are also salaried officers) under the company's Restricted Stock Option Plan.

Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

★ **Robosonic National Industries Corp., N. Y.**
June 12 filed 500,000 shares of common stock, class B. **Price**—$3 per share. **Proceeds**—To manufacture on a contract basis an automatic telephone answering instrument; the enlargement of the research and development facilities of the company; patent and patent applications; public relations, and for working capital. **Underwriter**—None.

Rockcote Paint Co.
March 21 (letter of notification) 14,250 shares of 7% cumulative preferred stock (par $10) and 10,000 shares of common stock (par $1). **Price**—For preferred stock, $10.25 per share; for common stock, $8 per share. **Proceeds**—For working capital. **Office**—200 Sayre St., Rockford, Ill. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Salem-Brosius, Inc., Pittsburgh, Pa. (7/1)
June 10 filed $2,000,000 of convertible subordinated debentures, due July 1, 1973, and 112,500 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To be used in connection with the proposed acquisition of Alloy Manufacturing Co., Inc., and to retire indebtedness and working capital. **Underwriter**—Blair & Co., Inc., New York.

• **San Diego Imperial Corp., San Diego, Calif. (6/25)**
June 2 filed 70,000 shares of 5½% cumulative convertible preferred stock. **Price** — At par ($10 per share). **Proceeds**—To retire $550,000 of promissory notes. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah.

Southeastern Mines, Inc.
May 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Address**—P. O. Box 3034, North Johnson City, Tenn. **Underwriter**—None.

Southern Frontier Finance Co.
May 15 filed 2,000,000 shares of common stock (par 50 cents). **Price** — $1 per share. **Proceeds** — $1,525,000 for purchase of receivables secured by Mobile Homes, or other collateral; and $275,000 for working capital, reserve, etc. **Office**—Raleigh, N. C. **Underwriter**—None.

★ **Southern Natural Gas Co. (7/10)**
June 12 filed $30,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds**—To be added to the company's general funds and will be available for its construction program and reduction of outstanding loans under a revolving credit agreement providing for a maximum of $25,000,000 at any one time outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; and Kidder, Peabody & Co. (jointly). **Bids** — Tentatively scheduled for July 10 at 90 Broad St., New York, N. Y.

Standard Oil Co. (Calif.) (6/25)
June 4 filed $150,000,000 of sinking fund debentures due July 1, 1983. **Price**—To be supplied by amendment. **Proceeds**—To refinance a bank obligation of $50,000,000 due this year to provide additional capital for the company's overall program. **Underwriters**—Blyth & Co., Inc., and Dean Witter & Co., both of San Francisco, Calif., and New York, N. Y. **Offering**—Expected June 25.

Standard Oil Co. (New Jersey)
May 5 filed 2,246,091 shares of capital stock (par $7) being offered in exchange for common shares of International Petroleum Co., Ltd., of Toronto, Canada, and Coral Gables, Fla., in the ratio of nine shares of Standard Oil stock for 10 shares of International stock. **Offer** will expire on July 1, 1958. Statement effective May 23. **Underwriters**—Morgan Stanley & Co. in United States; and Harris & Partners, Ltd. in Canada.

Standard Packaging Corp., New York
June 4 filed 225,385 shares of the company's common stock (par $1), such shares are to be issued to Johnston Foil Manufacturing Co., a New Jersey corporation, under an agreement pursuant to which Standard acquired substantially all of the assets of Johnston.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

Sun Oil Inc., Philadelphia, Pa.
April 22 filed 15,000 memberships in the Stock Purchase Plan for the employees of the company and its subsidiaries, together with 188,000 shares of common stock (no par) which may be purchased by the trustees of the plan during the period July 1, 1958, to June 30, 1959, with respect to the 1958 plan. Registration also covers 243,288 shares of outstanding common stock which may be offered for possible sale by the holders thereof during the period July 1, 1958 to June 30, 1959. **Underwriter**—None.

Sunday River Skiway Corp., Bethel, Me.
June 5 (letter of notification) 14,357 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Underwriter**—None.

Surety Oil Co.
May 28 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—290 North University Ave., Provo, Utah. **Underwriter**—None.

★ **Systron Corp., Concord, Calif.**
June 10 (letter of notification) 24,475 shares of capital stock (par $5) to be offered to stockholders on the basis of one share for each share held on June 10, 1958. **Price**—$12.25 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Tampa Electric Co. (7/17)**
June 13 filed $25,000,000 first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith; Goldman, Sachs & Co. **Bids** — To be received at 90 Broad St., New York, up to 11 a.m. (DST) on July 17, 1958.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20, 1957 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Tele-Broadcasters, Inc.
March 31 (letter of notification) 40,000 shares of common stock (par five cents). **Price** — $3.25 per share. **Proceeds**—To complete the construction of Station KALI. **Office**—41 East 42nd St., New York, N. Y. **Underwriter**—Sinclair Securities Corp., New York, N. Y.

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• Tennessee Gas Transmission Co. (6/24)
June 2 filed 1,084,054 shares of common stock (par $5) to be offered in exchange for common stock of Middle States Petroleum Corp. at the rate of 45 shares of Tennessee Gas common for each 100 shares of Middle States common; it is a condition of the exchange offer that it be accepted by holders of not less than two-thirds (1,606,005 shares) of the outstanding 2,409,007 Middle States common. **Underwriter**—Dillon, Read & Co., Inc., New York.

Texas Calgary Co., Abilene, Texas
April 30 filed 2,000,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Office** — 111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter** — Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Townsend International Growth Fund, Inc.
May 14 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds** — For investment. **Office**—Short Hills, N. J. **Underwriter**—FIF Management Corp., Denver, Colo.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

★ Transcontinental Gas Pipe Line Corp.
June 16 filed $2,557,020 of interests in the companies Thrift Plan for Employees, together with 121,762 shares of common stock and varying amounts of preferred shares of four different series which may be acquired under said plan.

Tuttle Engineering, Inc.
May 7 (letter of notification) 58,600 shares of common stock (par 10 cents) and $293,000 of 6% five-year convertible debentures due June 1, 1963 to be offered in units of 100 shares of common stock and $500 of debentures. **Price**—$510 per unit. **Proceeds**—To pay bank and other notes payable and for working capital. **Office**—4251 East Live Oak Avenue, Arcadia, Calif. **Underwriter**—White & Co., St. Louis, Mo.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Gas Corp. (6/25)
May 22 filed $40,000,000 of sinking fund debentures due 1978. **Proceeds**—To prepay a like principal amount of 4% notes due Sept. 22, 1959 held by eight commercial banks. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co. Inc., and Goldman Sachs & Co. (jointly); White, Weld & Co., Morgan Stanley & Co. and Equitable Securities Corp. (jointly). **Bids** — Expected to be received up to noon (EDT) on June 25 at Room 2033, Two Rector St., New York 6, N. Y.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

United Wholesale Druggists, Inc.
May 27 (letter of notification) 5,000 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—To purchase merchandise. **Office**—1120 Oakleigh Drive, East-point, Ga. **Underwriter**—None.

Universal Oil Recovery Corp., Chicago, Ill.
June 4 filed 37,500 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Walnut Grove Products Co., Inc.
May 26 filed $500,000 of 6% sinking fund debentures, series A, due 1968. **Price** — 100% of principal amount. **Proceeds**—For expansion program and working capital. **Business**—The formulation, manufacture and sale of a complete line of livestock feed supplements minerals and pre-mixes. **Underwriter** — The First Trust Co. of Lincoln, Neb.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None.

Western Pacific Mining Co., Inc.
May 26 filed 564,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For capital expenditures and exploration costs. **Office**—Santa Paula, Calif. **Underwriter**—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

Wilson & Co. Inc. (6/25)
June 5 filed $15,000,000 of 20-year sinking fund debentures. **Price**—To be supplied by amendment. **Proceeds**—To prepay $7,500,000 of term bank loans due 1960 and to retire bank borrowings, including loans of $5,304,000 for the payment of the company's first mortgage bonds which matured on April 1, 1958. **Price**—To be supplied by amendment. **Underwriters** — Smith, Barney & Co., Glore, Forgan & Co., and Hallgarten & Co., all of New York.

Winter Park Telephone Co.
May 19 (letter of notification) a maximum of 6,619 shares of common stock (par $10) to be offered to employees under the company's Employees' Stock Plan. **Proceeds**—For extensions, additions and improvements of telephone plant and for working capital. **Office**—132 East New England Ave., Winter Park, Fla. **Underwriter**—None.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

Alco Products Inc.
March 6 it was announced that the company is considering plans for long-term refinancing. **Proceeds**—For payment of all notes payable and provide the company with additional working capital.

★ American-South African Investment Co.
June 13 filed for permission to become registered as an investment company of the closed-end type under the Investment Company Act of 1940. **Business**—The trust, incorporated under the laws of the Union of Africa, has been organized to provide a medium for investment in the common shares of companies engaged in business in South Africa, with particular emphasis on those engaged in mining gold. The trust may also invest to a certain extent in gold bullion. **Underwriter**—Dillon, Read & Co. Inc., New York.

Associates Investment Co.
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined) **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York

Boston Edison Co. (7/10)
May 27 it was announced company may issue and sell 250,000 shares of cumulative preferred stock (par $100). **Proceeds** — To repay bank loans and for construction program. **Underwriter** — The First Boston Corp., New York. **Registration**—Scheduled for June 20.

C. G. S. Laboratories, Inc.
March 20 it was reported that company plans to issue and sell about $500,000 of common stock. **Proceeds**—For working capital and other corporate purposes. **Business**—Electronics. **Office**—391 Ludlow St., Stamford, Conn.

California Electric Power Co.
March 10 it was reported company may issue and sell in 1958 about 450,000 additional shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: White Weld & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Carl M. Loeb, Rhoades & Co., and Bear Stearns & Co. (jointly).

California Interstate Telephone Co.
President Willard Wade announced June 9 the company will enter the capital market late this year, but nature of the offering has not been decided on. **Underwriter**—Previous issues placed privately through William R. Staats & Co., Los Angeles.

• California Water & Telephone Co.
The company has applied to the California Public Utility Commission for permission to sell an issue of 200,000 of $1.24 dividend convertible preferred stock (par $25). Convertible into common stock at $23.8095 until Aug. 1, 1963, and at $25 a share thereafter. **Proceeds**—Will be used to reimburse the company treasury for expenses in connection with construction, extension and improvement of facilities. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Chicago, Burlington & Quincy RR. (7/1)
May 14 it was reported company plans to issue and sell on July 1 $4,650,000 of equipment trust certificates due in 30 semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell about 250,000 additional shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly). Permanent financing not expected until late in 1958 or possibly early in 1959.

Consolidated Natural Gas Co.
Feb. 25 it was announced company plans to issue and sell $45,000,000 of sinking fund debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly). **Offering**—Expected in July.

Consumers Power Co.
Feb. 21 Dan E. Karn, President, announced that $100,600,000 has been budgeted for expansion and improvement of service facilities during 1958. Indications are that $60,000,000 of senior securities may be involved. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). An offering of $35,156,700 of 4⅝% convertible debentures, offered to stockholders, was underwritten in October, 1957, by Morgan Stanley & Co.

Deere & Co.
Stockholders will vote on July 29 on a plan providing for the exchange of the present preferred stock into 25-year debentures on the basis of $500 of debentures for each 14 shares held.

Dixon Chemical Industries, Inc.
March 10 it was reported company plans to do some financing, the type of securities to be announced later. **Proceeds**—For expansion. **Underwriter**—Harriman Ripley & Co. Inc., New York

Equitable Gas Co.
April 7 it was reported that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White, Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

General Public Utilities Corp.
April 7 stockholders approved a plan authorizing the directors in connection with an offering of common stock to stockholders, also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

Grace Line Inc.
March 20 it was announced by Lewis A. Lapham, President, that the company plans to issue approximately

,000,000 of government insured bonds secured by a t preferred ship mortgage on the new "Santa Rosa' "Santa Paula." **Underwriters** — Merrill Lynch rce, Fenner and Smith; Paine, Webber, Jackson & rtis; Smith, Barney Co.; White, Weld & Co.; and F erstadt & Co., all of New York.

Great Atlantic & Pacific Tea Co.
o. 19 it was reported a secondary offering of commo ing stock is expected in near future. **Underwriters**— y include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades Co.; Hemphill, Noyes & Co.; Smith, Barney & Co. d Merrill Lynch, Pierce, Fenner & Smith.

Hackensack Water Co.
rch 12, George H. Buck, President, said that comny plans to sell some $7,000,000 in new securities by end of this year in the form of first mortgage bonds d preferred stock. Recent bond financing was made vately. In event of competitive bidding for bonds or bentures, bidders may include: Halsey, Stuart & Co c.; The First Boston Corp. and White, Weld & Co ointly); Stone & Webster Securities Corp.; Blyth & ., Inc.; Drexel & Co. and Dean Witter & Co. (jointly) e First Boston Corp. and White, Weld & Co. (jointly) derwrote last common stock financing. There is no eferred stock presently outstanding. Private sale of 000 shares ($3,000,000) of preferred is planned.

Houston Corp.
ne 2 company announced that it plans to register comon stock and debentures to be issued in connection th acquisition of the Coastal Transmission Corp. **Underwriters**—Blyth & Co., Inc.; Lehman Brothers; Allen Co.; and Scharff & Jones, Inc. **Registration**—Expected ly 2.

Indiana Gas & Water Co., Inc.
rch 25 it was announced that the company plans to ue and sell $3,000,000 of first mortgage bonds. May placed privately. **Proceeds**—To repay bank loans and r new construction.

Kansas Gas & Electric Co.
arch 31, G. W. Evans, Chairman, announced that comny plans to sell some bonds originally scheduled for id-year, but which sale may now be deferred until te 1958 or early 1959. **Proceeds**—About $8,000,000 for nstruction program. **Underwriter**—To be determined competitive bidding. Probable bidders: Halsey, uart & Co. Inc.; Kidder, Peabody & Co., and Merrill ynch, Pierce, Fenner & Smith (jointly); Lehman rothers; Eastman Dillon, Union Securities & Co. and one & Webster Securities Corp. (jointly); Glore, Forn & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
eb. 14 it was announced company plans to issue and ll $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be etermined by competitive bidding. Probable bidders. alsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, organ & Co.; Harriman Ripley & Co. Inc.; White, Weld Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
an. 21 it was reported company plans to issue and sell 0,000,000 of first mortgage bonds. **Proceeds—To repay ank loans and for new construction. Underwriter—To** e determined by competitive bidding. Probable bidders alsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginon Corp.; Equitable Securities Corp.; Eastman Dillon nion Securities & Co. and Merrill Lynch, Pierce, Fenner Smith (jointly); Kidder, Peabody & Co. and White, eld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Execied in September or October.

Kentucky Utilities Co.
une 16 company stated it will sell bonds and/or comon stock in the last quarter of 1958. **Underwriters**— lyth & Co., Inc. and J. J. B. Hilliard & Son.

MacMillan & Bloedel, Ltd.
tockholders will vote at a special meeting June 17 on a roposed issue of $32,500,000 of sinking fund debentures f which $10,000,000 would be sold in the United States, earing 4⅞% interest and due in 20 years.

Master Fund, Inc., Fairfield, Calif.
an. 27 it was announced this newly organized investent company plans to offer to bona fide residents of alifornia 10,000 shares of capital stock (par $1). **Price** —$10 per share, less an underwriting discount of 8½% roceeds—For investment.

Midland Enterprises, Inc.
larch 28, company announced it plans to issue on or efore Dec. 31, 1958 $3,200,000 of first preferred mortage bonds. May be placed privately. **Proceeds** — To epay bank loans and for working capital.

Midwestern Gas Transmission Co.
larch 24 it was announced that this subsidiary of ennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first nortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,-00,000. **Underwriters** — Stone & Webster Securities orp. and White Weld & Co., both of New York.

Montana-Dakota Utilities Co.
larch 24 it was reported the company plans to issue and ell an undetermined amount of first mortgage bonds in he latter part of this year or in early 1959. **Underwriter** —To be determined by competitive bidding. Probable idders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; lerrill Lynch, Pierce, Fenner & Smith and Kidder, eabody & Co., Inc., (jointly); and Blair & Co., Inc.

Montana Power Co. (9/4)
lay 12 it was reported that the company plans to issue nd sell $20,000,000 of first mortgage bonds due 1988. **Proceeds** — For exploration and construction program. **Underwriter**—To be determined by competitive bidding. robable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on Sept. 4.

Moore-McCormack Lines, Inc.
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York. **Offering**—Expected this Summer.

National Gypsum Co.
Company plans to register additional common stock in connection with proposed acquisition of American Encaustic Tiling Co. Subject to approval by stockholders of latter company, offer calls for exchange of 1 share of National common for 2.4 shares of American Encaustic common.

New England Telephone & Telegraph Co. (8/26)
April 11 it was announced company plans to issue and sell $40,000,000 of debentures. **Proceeds**—To redeem a like amount of 4½% bonds due 1961. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Aug. 26.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

Norfolk & Western Ry. (7/16)
Bids are expected to be received by the company on July 16 for the purchase from it of $2,340,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
June 10 it was announced company will sell this September $20,000,000 mortgage bonds providing new gas supply from Northern Natural Gas Co. is approved by Federal Power Commission. In event this project has to be deferred, company will likely issue $10,000,000 bonds later in the year. Company's 5-year construction program calls for $90,000,000 outlay. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

★ Otter Tail Power Co. (7/23)
June 13 the company has made application to the Federal Power Commission for authority to issue and sell $9,000,000 first mortgage bonds due 1988. **Proceeds**—For the purpose of retiring existing bank loans and to supply cash for further construction expenditures. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kalman & Co., Inc.; Glore, Forgan & Co.; and Blyth & Co., Inc. **Bids**—Expected to be received on July 23. **Registration**—Expected on June 20.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and preferred stock in the latter part of this year or early 1959. **Underwriter** —(1) For bonds to be determined by competitive bidding. Probable bidders—The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Lighting Corp.
May 8 Robert W. Miller, Chairman of the Board, announced that it is likely the corporation will sell some common stock within the next several months (probably to stockholders). **Proceeds**—For new facilities and equipment. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**— To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Public Service Electric & Gas Co. (8/20)
May 26 it was announced that the company plans early registration of $60,000,000 of first refunding mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 20.

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 voted on authorizing an increase in bonded indebtedness of $6,-500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

South Carolina Electric & Gas Co.
April 7 it was announced by the company that it plans to sell some additional bonds during the latter part of the year. **Proceeds** — Together with bank loans, to be used for $16,000,000 construction program. Bonds may be placed privately through Kidder, Peabody & Co.

★ Southern California Edison Co.
June 16 it was reported that the company contemplates the sale of about $50,000,000 of bonds in the later part of this year. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; First Boston Corp., and Dean Witter & Co. (jointly); Blyth & Co., Inc.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**— Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

Southern Railway Co.
March 20 it was reported that the company plans to issue about $20,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder Peabody & Co., Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Morgan Stanley & Co.; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly).

★ Southwestern Bell Telephone Co. (9/23)
The company has asked the Public Service Commission of Missouri for the right to issue $110,000,000 of debentures. **Proceeds**—To refund outstanding issue. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Offering** — It is believed that the issue will be marketed in late September.

★ Textron, Inc.
June 16 Royal Little, Chairman of the Board, announced that the directors of the company have authorized a subscription offer to common stockholders giving each shareholder the right to purchase one share of common stock for each 10 shares held on or about July 14. The stockholders will also be entitled to purchase shares which are not purchased under the primary subscription rights. The company recently announced purchase for approximately $7,000,000 in cash, of assets of Waterbury Farrell Foundry & Machine Co.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

United Artists Corp.
June 5 it was announced that the company is planning a public offering of additional securities before the middle of July. **Underwriter** — F. Eberstadt & Co., New York. **Registration**—Expected to be filed shortly.

★ Utah Power & Light Co. (8/11)
June 16 it was reported the company plans the sale of $20,000,000 first mortgage bonds. **Proceeds** — To refund the 5¼% first mortgage bonds due 1987, and the balance added to working capital to carry out the company's construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (PDST) on Aug. 11.

Washington Gas Light Co.
May 26 it was announced company plans to issue and sell about 300,000 shares of new preferred stock (no par). **Proceeds**—For construction program. **Underwriters** — Johnston, Lemon & Co., Alex. Brown & Sons, Auchincloss, Parker & Redpath and Folger, Nolan Inc. **Offering**—May be early in Summer.

★ Washington Water Power Co. (7/23)
June 16 President Kinsey M. Robinson announced plans for the sale, before end of July, of 200,000 shares of common stock and $15,000,000 first mortgage bonds. **Price**— To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co., and Laurence M. Marks & Co. **Registration**—Expected June 26.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**— To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds— Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Industry Assets Exceed $10 Billion

Total net assets of the 144 open-end investment company (mutual fund) members of the National Association of Investment Companies rose to a new high of $10,098,844,000 at the end of May, the Association announced June 16.

At the close of April, assets totaled $9,786,243,000; as of May 31, 1957, they were $9,730,861,000.

Investor purchases of open-end investment company shares during May totaled $109,483,000 compared with $122,206,000 for the previous month and $116,354,000 for May a year ago.

Shares turned in for redemption for the month were valued at $38,932,000. For April, redemptions totaled $32,453,000; during May a year ago, they came to $40,306,000.

The popularity of accumulation plans for the periodic purchase of mutual fund shares continued strong. New plans opened in May totaled 19,935 compared with 17,678 for the previous month and 19,503 for May a year ago.

Cash, U. S. Government securities and short-term corporate obligations held by the 144 open-end member companies totaled $633,146,000 at the end of May, 1958. This compares with $638,990,000 at the close of the previous month and $528,788,000 at the end of May, 1957.

Irving Lundborg Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul B. Sylvester has become connected with Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.

Mutual Funds

By ROBERT R. RICH

New Fund Study by SEC

The Securities and Exchange Commission on June 13 announced that in furtherance of its study of the size of investment companies as authorized by Section 14(b) of the Investment Company Act of 1940 it had retained the Securities Research Unit of the Wharton School of Finance and Commerce, University of Pennsylvania, to make a fact-finding survey and report on certain aspects and practices of registered investment companies.

Under Section 14(b) "The Commission is authorized, at such times as it deems that any substantial further increase in size of investment companies creates any problem involving the protection of investors or the public interest, to make a study and investigation of the effects of size on the investment policy of investment companies and on security markets, on concentration of control of wealth and industry, and on companies in which investment companies are interested, and from time to time to report the results of its studies and investigations and its recommendations to the Congress."

The Commission has previously received a preliminary report containing a general research plan for this study, and the present survey will explore in detail certain specified areas to enable the Commission to determine whether the increased size of investment companies has created any problems which require remedial legislation.

New Way to Explain Dollar Cost Averaging

One of the chief advantages to investors of mutual funds is the system—by buying shares at the rate of so many dollars' worth quarterly or monthly—of dollar cost averaging. As everyone knows in the mutual fund industry, this formula approach to equity investing is one of the most potent extant.

An investor, for example, who started to buy the stocks in the Dow-Jones Industrial Averages at the peak of the market in 1929 would have broken even by early 1932 and would have been ahead—that is, would have showed a "paper profit"—by the start of 1933.

However, one of the stumbling blocks to the dollar cost averaging system is that it has not been easy to explain to people interested in investing in mutual funds.

So, we are happy to report that one man has devised a simple, but unique method by which a mutual fund salesman can explain this formula approach to investors, and by which a mutual fund sales manager can explain it to his new men.

The fellow's name is Dougald C. White, 42 Crane Road, Scarsdale, New York. His invention, which has been cleared by the National Association of Securities Dealers' Ray Moulden, fits into a leather case about the size of one used to carry calling cards.

Briefly, the system utilizes a "stock market card" showing the prices of a stock—or mutual fund share—during six months at six different prices.

The mutual fund salesman and the investor each take five pieces of paper scrip representing money and invest by buying "share certificates."

The salesman buys so many shares a month — and thus is share averaging.

The prospect invests so many dollars' worth a month and thus is dollar cost averaging.

At the end of the investing process, both the salesman and the investor sell their shares, and the investor finds he is well ahead with a good profit showing.

Mr. White has already placed these kits with Investors Planning Corp. and other firms. The price is about $1 a piece for the kits.

Hannaford & Talbot Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA ROSA, Calif. — James R. Ketchersid and Geraldine Lipton have been added to the staff of Hannaford & Talbot, 634 Fourth Street.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Arthur B. Hayes and Ellwood W. Lewis have become connected with Merrill Lynch, Pierce, Fenner & Smith, 216 Superior Avenue, N. E.

Lazard Fund More Than Doubles Planned Share Offering

The Lazard Fund, a proposed new mutual fund to be sponsored and managed by Lazard Freres & Co., one of the oldest investment banking houses in the United States, has filed an amendment with the Securities and Exchange Commission increasing the size of the offering from 2,500,000 shares to 6,000,000 shares, thus raising the size of the fund from about $35,000,000 to $85,000,000. This will be the net to the fund after commissions are deducted from the planned public offering price of $15 a share.

American Fund Begins First Share Sale

The shares of a new mutual fund, American Investors Fund, Inc. are being offered to the investing public at net asset value per share, without any sales "load" charges or underwriting commissions.

A registration statement covering the first public offering of these shares became effective last week. The fund was organized by its Investment Adviser, American Investors Co. of Larchmont, N. Y. which is also the publisher of "American Investors Service."

The fund will normally be invested in common stocks, which are selected almost entirely on the basis of market action.

The investment policy of the fund places primary emphasis on selection of stocks having the best prospects for better-than-average capital appreciation consistent with good income and reasonable safety of principle.

The offering price of the fund's shares varies from day to day reflecting changing market values for its investment securities. It was $10.86 per share based on last Tuesday's net asset value, representing a gain of 8.6% since Jan. 16, 1958, when the fund made its first investments. It has been operating as a private fund since that time, pending completion of the registration formalities just announced.

Mutual Securities Shares to Reach Market June 25

There has been registered with the SEC a newly-organized Boston investment fund called the Mutual Securities Fund of Boston. The filing will cover 200,000 shares of beneficial interest.

Keller Brothers Securities Co., Inc. will be the underwriter of this newest addition to the fund industry, and the Investment Managers, Inc. will be the investment advisor. Norton N. Keller, who is President and Director of the underwriting house and the advisory organization, will be one of the five trustees.

The new fund will be of a diversified open-end common stock classification. It will sell at a price of $10.64 per share. The load will be 6%, with a breaking point at $25,000. Mutual Securities expects to be out of registration by June 25th.

South African Gold Fund in Planning Stage

A new investment trust called the American-South African Investment Trust, Ltd., was recently registered in South Africa. This new trust has been organized to provide a medium for investment in the common shares of companies engaged in business in South Africa, with particular emphasis on those engaged in gold mining and gold bullion.

On June 13, American-South African Investment filed for permission to become registered as an investment company of the closed-end type under the Investment Company Act of 1940. Underwriter of the shares to be issued will be Dillon, Read & Co., New York.

This trust is being organized by Charles W. Engelhard, who is Chairman of Engelhard Industries Inc., Newark, N. J. It is expected that Mr. Engelhard will be Chairman of the new fund.

Commodity Fund Offers Shs. in Fla.

Futures, Inc., a mutual fund dealing in commodities and commodity futures, such as cocoa, cotton, eggs, rubber and wheat, has registered and is now offering shares for sale in Florida.

Futures, Inc. was organized in 1948 and has been engaged in buying and selling commodities for almost ten years. The first few years were unsuccessful, but operations for the past four years have been quite profitable on balance. In 1957, while most stocks were declining, asset value of Futures Inc. shares rose from $2.84 on Dec. 31, 1956, to $5.08, for a net gain of 79%, not including a profit distribution dividend of 15 cents per share.

In 1958 so far a moderate net loss has been sustained. On June 6, 1958, shares were offered at $4.02. Information on Futures Inc. shares may be secured from any securities dealer in Florida or may be obtained by writing to Futures Distributors, 37 Wall St., New York 5.

It was also announced that Alexander C. Muir, Manager of the Research & Statistical Department of B. W. Dyer & Co., Sugar Economists and Brokers, has been appointed a member of the Advisory Council of Futures, Inc., the commodity mutual fund.

In making the announcement Richard D. Donchian, President of Futures, Inc., stated that Mr. Muir will specialize in sugar for the Fund. Other members of the Futures, Inc. Advisory Council are Dr. Warren F. Hickernell

conomist and financial consultant and John M. Westcott, Manager, Research Department of Greene & Ladd, members New York Stock Exchange.

Peacetime Benefits From Defense Research Efforts

The scientific technology demanded to maintain our nation's security can make an important contribution to the growth and prosperity of America in the years ahead.

This opinion is expressed in the June edition of Atomic Activities published by National Securities & Research Corporation, sponsors and managers of the National Securities of mutual funds with assets of over $320,000,000. The report highlights the scientific effort, "staggering almost beyond imagination, which is needed to nullify the threat posed by modern weapons in the hands of aggressive, lawless nations."

Despite the enormous cost of the DEW (distance early warning) Line spread across the northern perimeter of this continent, Atomic Activities points out that its shortcomings were dramatically revealed when the system failed to detect the Russian Sputniks orbiting no higher than the peak of a ballistic missile trajectory." However, Robert Colton, Manager of National's Atomic and Electronics Division reports current research projects are developing longer range and more effective radars and new weapon systems that could intercept and destroy the most dengerous missiles.

Other fields of advanced research include anti-submarine warfare and defenses against such dangers as bacteria and gas attacks. Even the weather may become a factor, suggests Atomic Activities, and scientific progress in this area, while spurred by defense needs, could result in many peacetime applications of real importance to mankind.

New Highs for Boston Inc. Fund

The Income Fund of Boston, Inc., in its report for the three months ended April 30, 1958, disclosed the following:

Total assets rose to a new high of $21,244,235 at the end of the first quarter, a gain of 9.5% over the $19,389,469 for the last quarter of the fiscal year ended Jan. 31, 1958.

Net assets rose even more sharply, to $19,106,958 on April 30, 1958, a gain of 12.9% over the net assets of $16,929,784 at Jan. 31, 1958. The increase in assets is due primarily to increased purchases of the fund's shares by investors.

New major additions in the portfolio were made by adding American Insurance Co., Boston Insurance Co., Carrier Corp., Greyhound Corp., Kresge (S. S.), Maine Public Service, Montgomery Ward, National Union Fire Insurance, Reliance Insurance, South Penn Oil, Texas Eastern Transmission and Woolworth. Increases in securities in portfolio were Borg-Warner, Deere & Co., Family Finance, Gillette, Merritt-Chapman & Scott, National Supply, Philip Morris, Sinclair Oil and Universal Leaf Tobacco. Reductions were made in C. I. T. Financial, Douglas Aircraft and Seaboard Finance.

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert G. Walsh has become affiliated with First of Michigan Corporation, 135 South La Salle Street. He was formerly with Allan Blair & Co.

Wiesenberger Looks for Mkt. Rise

Arthur Wiesenberger, Senior Partner of the New York Stock Exchange firm bearing his name, says that while he has no immediate expectations of an early upturn in business activity, he believes that the present U. S. recession is a temporary letdown which will before long be followed by another bull market.

"In fact," Mr. Wiesenberger added in the course of being interviewed in London, "we advised our clients about a month ago to take a more positive attitude toward purchases of stock. We have recommended that they now maintain about a 75% equity position.

"Every long bull market has three phases," he continued. "First recovery from the previous decline; second, a further recovery based upon solid business improvement; and finally, a further great rise feeding upon inflation and a confident view of the future.

"The present bull market began in 1942, and its first phase lasted until 1946. The second phase covered the years 1949 to 1956. The third phase is still to come, and there is every indication that it will soon begin. That is the reason we feel that it is time to begin to increase one's common stock holdings."

When Mr. Wiesenberger was last in London, in May of 1956, he commented, at a luncheon given in his honor at the City of London Club, "What we see in prospect is no real collapse of business activity—no sharp decline at all. All we look for is some shading in activity in such industries as building and automobiles, and some tempering of corporations' intention to expand plant. Consumer purchasing power is likely to be well maintained. All in all, a 5% to 10% decline in activity, a 10% decline in earnings, and a 7% decline in dividends seem likely."

The accuracy of Mr. Wiesenberger's predictions may be judged by the fact that at that time he looked for a drop in the Dow-Jones Industrial Average, then around 520, to below 400; it actually went down to 416.

Record Gains for Dividend Shs., Inc.

Dividend Shares, Inc., an open-end mutual fund under Calvin Bullock management, reports that both total net assets and the number of shareholders had reached their highest levels in the history of the company on May 29, 1958, it was announced by Hugh Bullock, President.

As of May 31, 1958, total net assets of Dividend Shares rose to $224,432,946, Mr. Bullock said. This figure compares with the $199,479,202 total net assets at Dec. 31, 1957.

Total number of shareholders at the end of May was 90,168.

"Together these records indicate not only investor confidence in the company, but confidence in the future of the American economy as a whole," Mr. Bullock commented. "It is particularly significant that the new highs were reached during a period of general business recession."

Dividend Shares, which was established in 1932, is the largest of five open-end and one closed-end fund managed by Calvin Bullock. Largest investments in its portfolio at the end of March were in the drug and medical supplies group (11.53%), followed by petroleum (10.23) and the chemical group (10.14). The largest individual holdings were in Standard Oil Company (New Jersey), International Paper Company and Texas Company.

IDS May Sales Top $89½ Million

Sales of $89,544,179 were produced during the month of May by the sales force of Investors Diversified Services, Inc., Joseph M. Fitzsimmons, President, announced.

May is designated "Grady Clark month" during which 2,800 sales representatives make a special sales effort each year in honor of the IDS Vice-President in Charge of Sales. Mr. Clark has been with the company for 24 years and has led the nationwide sales organization since 1947.

Gross dollar volume of sales of shares in five mutual investment funds managed and distributed by Investors Diversified Services, Inc. totaled $25,799,229 for the month. The funds, all affiliates of IDS, are Investors Mutual Inc., Investors Stock Fund, Inc., Investors Selective Fund, Inc., Investors Variable Payment Fund, Inc., and Investors Group Canadian Fund Ltd.

Total maturity value of face-amount and participation certificates purchased by individual investors during May amounted to $63,744,950. These accumulation certificates were issued by Investors Syndicate of America, Inc. and Investors Syndicate Title & Guaranty Company, New York, both IDS subsidiaries.

Selected American Total Assets Higher

Edward P. Rubin, President of Selected American Shares, reports total net assets at June 13, 1958, of $70,329,849, equal to $8.26 a share (or $8.56 a share, adjusting for reinvestment of the January 1958 capital gain distribution). This compares with total net assets of $69,061,792, or $9.13 a share at June 13, 1957. Shares outstanding at June 13, 1958, were 8,512,359 compared with 7,557,658 on June 13, 1957.

Youngest Shareholder

Selected welcomed its youngest shareholder on June 6, when a plan for systematic accumulation of the fund's shares was opened at 11:21 a.m. for Janet Louise Stark. Little Miss Stark was then one hour old. The "plan" was opened as a trust account by her paternal grandparents, Mr. and Mrs. D. H. Kind. Mrs. Kind is Secretary of Selected American, and a Vice-President of its sponsor firm.

Loomis-Sayles Report Sharp Gain In Asset Value

Maurise T. Freeman, President of Loomis-Sayles Mutual Fund, announced the net asset value of the fund increased from $38.15 on Oct. 31, 1957 to $41.80 on April 30, 1958.

Recent assets of $61,866,000 represent a new high and compare with $59,175,000 on the peak day in the stock market last July.

Mr. Freeman looks forward to the probability of a bottoming out to the business decline in the months just ahead. Today's investment situation, he said, calls for conservative convictions and a nonspeculative, balanced investment position—for patience and an aggressive process of searching out attractive investment opportunities in individual securities.

An interesting fact brought out in this report was the observation that a severe decline in corporate earnings is under way. In the first quarter of 1958, earnings of more than 500 companies averaged about 35% below the first quarter of 1957. Approximately one out of three important manufacturing companies is showing an earnings drop of over 50%.

Railroad Securities

Baltimore & Ohio

Baltimore & Ohio Railroad is the only "Trunk Line" carrier in the East which has been able to operate in the black so far this year. Both the New York Central System and the Pennsylvania have reported sizable deficits so far this year.

B. & O.'s showing has been accomplished through excellent control over expenses during the period. It is reaping the benefit of large capital expenditures in the postwar period. This has enabled the road to cut-back on the lower volume of traffic and still maintain its property to meet the present volume of business. It is true that bad order cars have increased in recent months, but this does not mean the road does not have sufficient equipment to meet the present level of carloadings.

B. & O. has made a big step in reducing its loss from passenger business. Through the elimination of this service between New York and Washington, it is estimated that at least $400,000 of out-of-pocket cash was saved. This saving is expected to be higher in coming months and probably will amount to as much as $6 million annually as compared with previous estimates of some $5 million annually. Freight revenues now account for about 95% of gross so that the passenger problem has been eliminated for all practical purposes. In this respect, it is possible that further coordination of passenger business might be worked out with the Pennsylvania Railroad in the Mid-West which would bring about savings to both of these carriers.

Freight traffic continues at a fairly low ebb, but there have been signs recently of some pick-up. In May, carloadings recorded a drop of 25.27% from the like month of 1957. This was not as severe as the decline of 27.5% reported for the month of April from the corresponding month of last year. Carloadings of the Baltimore & Ohio last month amounted to 192,233 cars as compared with 183,314 cars in April, but considerably lower than the 257,221 cars of May, 1957. Among major commodities, iron and steel were down 51% last month and coal showed a drop of 30.4%, indicating the drop in production in the heavy industries on which this carrier is highly dependent. The increase in steel production in recent weeks should be reflected in an improvement in these carloadings during the current month. Miscellaneous loadings dropped 20.7%. Average daily carloadings in May amounted to 7,394 cars against 7,051 cars in April and 9,893 cars in May a year ago.

It is officially reported that while conditions in early May remained about as depressed as in April, there was a slight turn for the better in the final half of last month and moderate improvement is continuing during the early part of June. The mild increase in carloadings is attributed to the higher operating performance of heavy industries, particularly steel during recent weeks in June.

Officials of the B. & O., however, point out that traffic has been far below normal for nine months in a row. This makes the drop in the business of the railroad the most prolonged slump experienced since World War II.

On March 31, 1958 cash items amounted to $21,459,000, while current liabilities were $76,728,000. Net working capital was reported at $18,142,000 as compared with $21,708,000 a year earlier. Depreciation charges exceed 1958 equipment maturities by some $8,400,000. Tax deferment this year on accelerated amortization will amount to about $1 a common share against $1.80 a share in 1957.

Now that the road has successfully completed its recapitalization, the management has turned its attention to further improvements in operating efficiency. Property betterments in the form of yard rehabilitation, installation of additional C. T. C., mechanization of maintenance and accounting and other moves could be important economy producers when completed. In addition some 2,500 new freight cars are scheduled for delivery during 1958 which will permit the retirement of older cars, thus reducing the need for expenses for heavy repairs. Also, when full dieselization has been accomplished, transportation expenses should be reduced sharply because of fuel savings and more efficient operations. Also, equipment maintenance expenses will be reduced.

Baltimore & Ohio currently is believed to be in a position to benefit considerably in any upswing in traffic from current levels, particularly in view of its good physical condition and geographical location. It still remains as a large carrier of steam coal for utilities expanding in its service territory and if present proposed legislation now before Congress is enacted, it may be in a position to obtain some of this bituminous coal now being hauled by barges.

Rowe Price Assets Rise

On May 29 the directors of the T. Rowe Price Growth Stock Fund, Inc. declared a dividend of $0.32 per share which is payable from ordinary net income for the six months ending June 30, 1958. This dividend represents the same amount as was paid at the end of June last year and will be payable on June 26 to stockholders of record May 29.

Total net assets of the Fund on May 29 were $11,443,084 as compared with $9,436,114 on Dec. 31, 1957. During this period net asset value per share was increased from $27.67 to $30.80.

Philadelphia Fund Has 20 Percent Assets Gain

Philadelphia Fund recorded a 20% increase in assets in the five months ended May 31, 1958, Roy R. Coffin, President, reported.

On that date total assets had risen to $6,189,114 from $5,159,888 on Dec. 31, 1957. Net asset value on May 31, last, had increased to $8.20 a share from $7.29 at the yearend.

The Fund's largest single common stock commitment on May 31, 1958, was in Georgia Pacific Corporation, which accounted for 4.9% of total net assets and the next largest single holdings of common stocks were A. O. Smith and Dow Chemical. On May 31, 1958, the Fund was invested, as follows: 15.1% in corporate bonds and cash and the balance in a selected list of common stocks, of which 13% were in utilities.

McDougal & Condon Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Ralph M. Pierce has been added to the staff of McDougal and Condon, Inc., 208 South La Salle Street. He was previously with Allan Blair & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	June 22	§64.4	*64.0	56.4	85.2
Equivalent to—					
Steel ingots and castings (net tons)	June 22	§1,737,000	*1,728,000	1,523,000	2,181,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 6	6,255,935	6,241,635	6,249,685	7,338,015
Crude runs to stills—daily average (bbls.)	June 6	¶7,690,000	7,487,000	7,255,000	8,080,000
Gasoline output (bbls.)	June 6	27,263,000	26,438,000	25,416,000	27,966,000
Kerosene output (bbls.)	June 6	1,725,000	1,569,000	1,568,000	2,003,000
Distillate fuel oil output (bbls.)	June 6	12,251,000	11,964,000	11,130,000	12,460,000
Residual fuel oil output (bbls.)	June 6	6,775,000	6,857,000	6,651,000	8,341,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 6	193,290,000	193,355,000	201,235,000	193,298,000
Kerosene (bbls.) at	June 6	22,344,000	21,469,000	19,114,000	26,148,000
Distillate fuel oil (bbls.) at	June 6	93,037,000	87,858,000	78,287,000	101,789,000
Residual fuel oil (bbls.) at	June 6	62,810,000	61,383,000	59,120,000	41,246,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 7	612,715	529,547	535,204	733,477
Revenue freight received from connections (no. of cars)	June 7	495,052	480,084	495,748	579,204
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 12	$505,535,000	$481,351,000	$435,399,000	$417,704,000
Private construction	June 12	200,577,000	171,720,000	200,517,000	174,747,000
Public construction	June 12	304,958,000	309,631,000	234,882,000	242,957,000
State and municipal	June 12	196,178,000	173,876,000	181,550,000	207,924,000
Federal	June 12	108,780,000	135,755,000	53,332,000	35,033,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 7	7,830,000	7,140,000	6,250,000	9,806,000
Pennsylvania anthracite (tons)	June 7	388,000	339,000	396,000	602,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 7	135	116	138	134
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 14	12,109,000	11,681,000	11,257,000	11,958,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 12	254	325	327	265
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 10	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	June 10	$66.49	$66.49	$66.49	$64.56
Scrap steel (per gross ton)	June 10	$35.50	$36.00	$32.67	$54.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 11	24.775c	24.425c	24.225c	31.400c
Export refinery at	June 11	23.150c	22.550c	21.900c	29.075c
Lead (New York) at	June 11	11.000c	11.000c	12.000c	14.000c
Lead (St. Louis) at	June 11	10.800c	10.800c	11.800c	13.800c
‡Zinc (delivered) at	June 11	10.500c	10.500c	10.500c	11.500c
Zinc (East St. Louis) at	June 11	10.000c	10.000c	10.000c	11.000c
Aluminum (primary pig. 99%) at	June 11	24.000c	24.000c	24.000c	25.000c
Straits tin (New York) at	June 11	94.625c	94.500c	95.500c	98.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 17	94.99	95.82	96.11	86.75
Average corporate	June 17	96.69	96.54	96.07	93.52
Aaa	June 17	103.13	103.30	102.80	97.16
Aa	June 17	99.84	99.68	99.52	96.07
A	June 17	96.38	95.92	95.62	94.71
Baa	June 17	88.27	87.99	87.18	86.78
Railroad Group	June 17	92.20	92.06	91.48	91.91
Public Utilities Group	June 17	98.09	97.94	97.78	95.16
Industrials Group	June 17	100.00	99.68	99.20	93.67
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 17	2.94	2.86	2.84	3.65
Average corporate	June 17	3.96	3.97	4.00	4.17
Aaa	June 17	3.56	3.55	3.58	3.93
Aa	June 17	3.76	3.77	3.78	4.00
A	June 17	3.98	4.01	4.03	4.09
Baa	June 17	4.54	4.56	4.62	4.65
Railroad Group	June 17	4.26	4.27	4.31	4.28
Public Utilities Group	June 17	3.87	3.88	3.89	4.06
Industrials Group	June 17	3.75	3.77	3.80	4.16
MOODY'S COMMODITY INDEX	June 17	401.0	398.7	400.9	426.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 7	304,529	264,648	285,090	323,485
Production (tons)	June 7	248,617	247,209	264,699	263,469
Percentage of activity	June 7	77	83	86	86
Unfilled orders (tons) at end of period	June 7	404,015	348,600	383,220	455,338
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 13	109.79	109.82	109.91	110.33
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 24	1,594,440	1,608,130	1,623,210	1,522,200
Short sales	May 24	349,040	332,890	359,290	302,960
Other sales	May 24	1,243,410	1,303,430	1,333,040	1,227,510
Total sales	May 24	1,592,450	1,636,320	1,692,330	1,530,470
Other transactions initiated on the floor—					
Total purchases	May 24	415,170	491,120	474,940	271,780
Short sales	May 24	37,200	67,800	49,700	14,700
Other sales	May 24	351,400	434,080	402,890	296,880
Total sales	May 24	388,600	501,880	452,590	311,580
Other transactions initiated off the floor—					
Total purchases	May 24	535,542	556,505	578,840	543,230
Short sales	May 24	195,760	162,030	151,680	104,960
Other sales	May 24	591,156	659,370	648,942	510,680
Total sales	May 24	786,916	821,400	800,622	615,640
Total round-lot transactions for account of members—					
Total purchases	May 24	2,545,152	2,655,755	2,676,990	2,337,210
Short sales	May 24	582,000	562,720	560,670	422,620
Other sales	May 24	2,185,966	2,396,880	2,384,872	2,035,070
Total sales	May 24	2,767,966	2,959,600	2,945,542	2,457,690
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	May 24	1,047,318	1,206,601	1,307,769	1,279,631
Dollar value	May 24	$46,619,209	$51,128,097	$54,737,326	$67,445,684
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 24	1,057,724	1,090,383	1,101,334	1,184,497
Customers' short sales	May 24	14,088	27,661	18,847	8,674
Customers' other sales	May 24	1,043,636	1,062,722	1,082,487	1,175,823
Dollar value	May 24	$44,130,710	$44,958,526	$46,137,901	$59,018,009
Round-lot sales by dealers—					
Number of shares—Total sales	May 24	361,250	343,960	290,380	353,590
Short sales	May 24	------	------	------	------
Other sales	May 24	361,250	343,960	290,380	353,590
Round-lot purchases by dealers—					
Number of shares	May 24	378,790	439,990	510,660	430,160
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	May 24	837,500	994,170	1,000,750	507,570
Other sales	May 24	12,180,160	13,218,230	13,325,820	11,432,460
Total sales	May 24	13,017,660	14,212,400	14,326,570	11,940,030
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 10	118.9	119.1	119.5	117.5
Farm products	June 10	95.4	96.2	98.6	90.9
Processed foods	June 10	112.6	113.0	112.8	106.3
Meats	June 10	114.9	115.0	114.4	96.5
All commodities other than farm and foods	June 10	125.1	125.2	125.4	125.3

*Revised figure. ¶Includes 886,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of May (in millions):			
Total new construction	$4,066	$3,703	$4,127
Private construction	2,770	2,583	2,882
Residential buildings (nonfarm)	1,403	1,288	1,436
New dwelling units	1,000	945	1,020
Additions and alterations	352	295	379
Nonhousekeeping	51	48	37
Nonresidential buildings	698	677	783
Industrial	204	218	306
Commercial	285	263	286
Office buildings and warehouses	165	163	147
Stores, restaurants, and garages	120	100	139
Other nonresidential buildings	209	196	191
Religious	65	61	68
Educational	43	42	40
Hospital and institutional	51	50	41
Social and recreational	32	28	24
Miscellaneous	18	15	18
Farm construction	147	127	146
Public utilities	505	478	497
Railroad	29	27	34
Telephone and telegraph	82	82	101
Other public utilities	394	369	362
All other private	17	13	20
Public construction	1,296	1,120	1,245
Residential buildings	63	62	38
Nonresidential buildings	379	380	382
Industrial	33	31	43
Educational	239	237	232
Hospital and institutional	28	28	32
Administrative and service	41	39	39
Other nonresidential buildings	38	35	36
Military facilities	88	80	108
Highways	515	375	470
Sewer and water systems	117	111	117
Sewer	68	65	64
Water	49	46	53
Public service enterprises	37	33	35
Conservation and development	86	78	83
All other public	11	11	12
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of April 30:			
Total consumer credit	$42,665	$42,562	$41,247
Instalment credit	32,932	32,983	31,786
Automobile	14,788	14,889	14,691
Other consumer goods	8,134	8,192	8,017
Repairs and modernization loans	1,914	1,915	1,862
Personal loans	8,096	7,987	7,210
Noninstalment credit	9,733	9,579	9,461
Single payment loans	3,501	3,542	3,374
Charge accounts	3,694	3,528	3,735
Service credit	2,538	2,509	2,352
CONSUMER PRICE INDEX — 1947-49 = 100— Month of April:			
All items	123.5	123.3	119.3
Food	121.6	120.8	113.8
Food at home	120.5	119.6	112.1
Cereals and bakery products	132.7	132.7	130.1
Meats, poultry and fish	115.9	114.4	102.0
Dairy products	112.5	114.1	110.5
Fruits and vegetables	136.6	130.7	118.7
Other foods at home	112.4	113.8	111.0
Housing	127.7	127.5	125.2
Rent	137.3	137.1	134.5
Gas and electricity	116.0	115.9	112.4
Solid fuels and fuel oil	134.2	136.7	138.1
Housefurnishings	104.0	103.9	105.1
Household operation	130.9	130.7	126.4
Apparel	106.7	106.8	106.5
Men's and boys'	109.1	108.9	108.3
Women's and girls'	98.2	98.8	98.7
Footwear	129.8	129.5	127.3
Other apparel	91.9	91.9	92.0
Transportation	138.3	138.7	135.5
Public	186.1	185.9	176.8
Private	127.6	128.0	125.5
Medical care	142.7	142.3	136.9
Personal care	128.5	128.3	123.3
Reading and recreation	117.0	117.0	111.8
Other goods and services	127.2	127.2	124.2
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of April:			
Cotton Seed—			
Received at mills (tons)	11,855	35,645	10,132
Crushed (tons)	254,651	*327,146	278,391
Stocks (tons) April 30	515,526	*758,322	532,744
Crude Oil—			
Stocks (pounds) April 30	87,442,000	*124,862,000	116,696,000
Produced (pounds)	87,224,000	110,930,000	99,742,000
Shipped (pounds)	118,617,000	120,379,000	96,151,000
Refined Oil—			
Stocks (pounds) April 3	192,368,000	188,914,000	277,876,000
Produced (pounds)	108,425,000	109,427,000	90,323,000
Consumption (pounds)	96,364,000	92,916,000	100,139,000
Cake and Meal—			
Stocks (tons) April 30	189,776	*198,037	279,436
Produced (tons)	117,320	*149,743	135,735
Shipped (tons)	125,581	*176,437	120,255
Hulls—			
Stocks (tons) April 30	131,038	*125,564	75,372
Produced (tons)	60,739	*80,032	60,474
Shipped (tons)	55,265	*73,900	61,363
Linters (running bales)—			
Stocks April 30	366,270	*363,557	216,921
Produced	69,358	*95,820	84,940
Shipped	66,645	*76,575	88,480
Hull Fiber (1,000-lb. bales)—			
Stocks April 30	474	540	658
Produced	(a)	59	(a)
Shipped	(a)	105	(a)
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks April 30	4,514	*4,363	2,738
Produced	746	*1,004	835
Shipped	595	605	983

(a) Not shown to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of April:			
Weekly earnings—			
All manufacturing	$80.81	*$81.45	$81.5[illegible]
Durable goods	86.91	*87.75	88.2[illegible]
Nondurable goods	72.94	73.53	72.7[illegible]
Hours—			
All manufacturing	38.3	*38.6	39.8
Durable goods	38.8	*39.0	40.5
Nondurable goods	37.6	38.1	38.9
Hourly earnings—			
All manufacturing	$2.11	*$2.11	$2.05
Durable goods	2.24	*2.25	2.18
Nondurable goods	1.94	*1.93	1.87

LETTER TO THE EDITOR:

Maine Reader Questions Dr. Slichter's Economic Views

Referring to Dr. Sumner H. Slichter's article on the "American Economy—Trends, Problems and Prospects" (*Chronicle*, May 29, 1958, p. 3), Maine correspondent takes exception to views expressed and uses them as a springboard to opine about economic practices said to be running our economy. Mr. Spitz criticizes, for example, growth of dominant national corporate structures and hindrances to accumulation of sufficient individual capital, inflated dollar values, failure to amortize fiscal indebtedness, and lack of sound monetary principles.

Editor, Commercial and Financial Chronicle:

Thar' Slichter blows again! (dateline May 29, 1958).

He is merely following the Keynes line that planned economy must be made to fix prices through monopoly of markets by corporations, parities, subsidies, government orders of goods and legislative edict, and then demands an investigation of wherein has the Keynes doctrines failed! And have no doubt that planned economy will continue to fail for the discordination it has brought to monetary and economic concepts is the very basis of its failure! The eternal remedy is fixing, pegging interest rates up and down making a mockery of savings concepts, over buying installment wise and attendant inflation.

Richard Spitz

If the Japanese had the full American picture it would show:

(1) Monetary inflation due to soft monetary Keynes concepts that constantly inflates monetary value, unlike hard monetary content dollars, and adds further to the dilemma of coordinating the value of dissimilar goods with one another. There is no criterion of monetary value with Keynes soft monetary theories.

(2) The planned economy or Keynes concept believes in a rigid price structure, and hence, no adjustment in either recession or inflation, but further inflation of the dollar, for something has to move, either the price structure or the dollar-age value. Thus GNP figures that Slichter and population growth are a misrepresentation of true production or monetary value.

(3) The failure of planned economy to feed on anything but more and more inflation is amply demonstrated in personal and governmental borrowings. The only difference is that the knucklehead who overbuys in the installment category and not out of savings is hounded to pay the money back, while the government goes blithely along its inflationary way, now with a national debt of almost $300 billion that NOBODY ever expects to be repaid. But the $8 or $9 billion of servicing will go on and on even beyond our own generation of foolish men who prant, "Why pay it—we owe it to ourselves." Dr. Slichter has never answered the question why it should not be amortized fi.cally and in what type or in what way this economic atrocity of Keynes concepts will be met and the impact upon the economy is a watering down of monetary value and a watered down GNP that the expert so voluminously quotes.

(4) An economic feudalism is being built in these United States that goes beyond the lifetime, in time, of any citizen or individual, and beyond the ability to accumulate sufficient capital in an individual lifetime to compete with corporate facets of controlling markets by dominating the flowage of goods by allocations in time of scarcity and not producing to a point of scarcity in depressive times. Local capital structures are for the "birds" when the ground is covered with deep snow, so the national corporate structure grows more dominant and more strong, at the expense of local development and individual economic balance that gives a community social and economic balance without having to stand in front of some corporate president's desk and ask for an economic handout.

It is little wonder that many capitalistic thinkers have foregone their desire and interest in free and open supply and demand marketing and subscribed to Keynes, the planned economist who could give answer to everything in theory and never was able to show how deficit governmental financing was ever to be paid. His answer was that there was no reason to think upon repayment, for beyond owing it to ourselves, we all die sometime, so why worry? It is an answer that has made us a generation of selfish, undisciplined social and economic individuals and no one has to go any farther than juvenile delinquency to see that lack of discipline in monetary and economic matters is a prelude to social disintegration.

* * *

(5) The discordination of price structure and monetary values with parities, subsidies and such, stockpiling metals and other products for price fixing purposes, the minorities in labor, the strong and urgent minorities in the capital or industrial fields solicitous of their own well-being and shutting their eyes to the need of sound monetary principles founded in hard monetary content and real monetary values that can coordinate diverse goods and the values thereof in free supply and demand open markets, are their own worse enemies for only through free supply and demand markets will come common sense security. Any country that subsidizes weakness will not continue strong!

RICHARD SPITZ

Counsellor at Law
Fortune's Rocks
Biddeford, Maine
June 2, 1958

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Robert H. Pylkas and William W. Ten Eyck are now connected with Merrill Lynch, Pierce, Fenner & Smith, 205 West Congress Street.

Joins A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Leo J. Conaty has joined the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Our Reporter's Report

Apparently investment bankers are not reluctant about building up inventory these days judging by their persistent bidding for and pricing of new issues at levels which seemingly do not hold any immediate attraction for the investor.

The only explanation for this seeming paradox is evidently to be found in the conviction of the underwriters that the future behavior of the money market must be inevitably in the direction of lower rates.

Certainly institutional investors who must step up to take new corporate obligations if these are to be sold, show no haste about going through with their end of things these days.

Stocks on dealers' shelves have been expanding for several weeks now. They were estimated as around $75 million just prior to the offering of the recent Niagara Mohawk Power issue and currently, including portions of this week's issues which remain unsold, are calculated as somewhere close to the $200 million mark.

Underwriting bankers quite obviously are disposed to anticipate further easing of money rates along lines which the Administration is reportedly anxious to see realized. Recent Washington dispatches indicated that the hope in such circles is that rates for top-grade paper will yield another one-half of 1% or so.

Yet there is every indication that money is pressing for investment opportunities and that any further expansion in the lending base of the country's banks would tend to expand such pressure.

Underwriting Capital

Market observers are casting a weather-eye in the direction of underwriters' capital in consequence of the welling-up of unsold new issues the last month or so.

Presumably there is no serious pinch on investment bankers' ability to participate in bidding and reoffering syndicates up to this time. And certainly there has been no disposition on the part of those sponsoring sluggish offerings to cut them loose.

Evidently the situation remains one in which the underwriter can afford to "bank" substantial portions of his deals while waiting for the market to catch up. Dealers now have about $1.1 billion in loans from banks for carrying securities "other than governments."

Price Ideas Alike

There is no escaping the fact that bankers generally are pretty much of the same mind about the outlook. This was evident again during the week in the closeness of bidding for new offerings.

The case of Delaware Power & Light Co. bonds comes to mind. Here the successful group took the issue on a bid of 99.739 for a 3⅞% coupon rate.

So the top bid was only about $3.29 per $1,000 better than that of the next group, while the low of five bids turned out to be only $4.59 per $1,000 under the winner.

Big Week Ahead

Swelled by the $150 million debentures projected by Standard Oil Co. of California, next week's new corporate debt offering total foots up $280 million. And, in addition, Pacific Gas & Electric is slated to offer 853,781 additional common shares on "rights."

The big S. O. California issue is on tap for Wednesday which looks like the banner day for recent weeks what with $40 million of United Gas Corp., debentures up for bids and the European Coal & Steel Community slated to sell $40 million of its bonds.

Pacific Power & Light has $20 million of bonds scheduled for Tuesday and Wilson & Co., Inc., is due to market $16 million of debentures. Several smaller offerings are also set for that day.

Thursday will bring public offering of $37.5 million common stock of the Lazard Fund, Inc., a new trust undertaking.

First Boston Group Offers $16 Million Mountain Fuel Debs.

The First Boston Corp. and associates on June 19 offered an issue of $16,000,000 Mountain Fuel Supply Co. 4% debentures, due 1983, at par.

Of the proceeds from the sale of the debentures, $14,000,000 will be used to pay, without premium, a like amount of bank loans incurred for previous construction; and the reminder, together with funds from internal sources, will be used for the acquisition and construction of properties during 1958.

The debentures may not be refunded prior to June 1, 1963 at a lower cost of money to the company. Otherwise, they are redeemable at regular redemption prices ranging from 104% for those redeemed prior to June 1, 1959, to 100% for those redeemed on or after June 1, 1981; and at a sinking fund redemption price of 100%.

Mountain Fuel Supply produces and purchases gas in fields in northwestern Colorado, southwestern Wyoming and northeastern Utah, and transports gas from those fields through southwestern Wyoming into Utah. It also buys gas from two natural gas pipeline companies. The company distributes gas to residential, commercial and industrial customers in Utah and southwestern Wyoming.

For the 12 months ended March 31, 1958 operating revenues of the company amounted to $25,818,000 and net income to $3,763,000, compared with $25,160,000 and $3,755,000, respectively, in 1957.

Joins S. Romanoff

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Harvey A. Jacobson is now affiliated with S. Romanoff & Co., 45 Chamberlain Parkway.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The World Bank recently made a loan equivalent to $28 million for the railways of Nigeria. It was made to the Federation of Nigeria, an overseas territory of the United Kingdom, now approaching full independence, to help finance a five-year program to improve the rail system.

While the loan received only routine notice in the heavy flow of news out of Washington, it has considerable significance because of the tremendous upsurge of development activity that is taking place in Africa. Nigeria, with a population of 34 million, is the most populous country of the continent.

The loan is guaranteed by the United Kingdom, and the Nigerian Railway Corporation is carrying out a modernization program and building several hundred miles of new lines to the frontier of French Equatorial Africa. The significance of the loan is that it is the forerunner of others by the World Bank and the United States to give tropical Africa the assistance needed in economic development.

Virgin Resources

With a few exceptions there is no problem of over-population and scarcity of labor through much of West and Central Africa. The potentialities of commercial agriculture have not been fully realized. The metal and mineral resources are even less developed than agriculture. The abundant reserves of high grade iron ore in West Africa are believed to be small compared with the mineral wealth still undiscovered and unexplored.

New diamond fields and previously unknown deposits of iron ore, copper, and many rarer nonferrous metals, which are becoming increasingly important in the field of electronics, and nuclear energy. The National Planning Commission reports that the study shows that only about 10% of the African population is engaged to any significant extent in the more advanced market (i. e. money) economy of the region.

Thus far the economic development in tropical Africa has been overwhelmingly the responsibility of Europeans, Indians and Levantines, who have supplied not only the capital but also the initiative, managerial direction, and the technological skills required.

Russia There Now

President Eisenhower dispatched representatives of the White House to Africa some three months ago and they returned to Washington extremely enthusiastic about the great potentialities in Africa because of the rich resources in most areas. At the same time the President's representatives warned that Russia has already established a firm economic foothold in Africa.

Tropical Africa has today the largest reserve of undeveloped human and natural resources remaining on this planet. The tropical region is described as that part of south of the Sahara and North of the Union of South Africa. Within this vast region are about 135 million people who still live mainly with their traditional tribal societies, following simple, age-old production techniques which yield them a subsistence type of living standard.

The National Planning Association, a non-profit, non-political organization, insists that United States Government non-military assistance should be increased three or four times to present level of $22 million a year. The association maintains that this is necessary because of communist and nationalist pressures on the new African nations.

Egyptian Nationalism

In addition to Soviet communism, Egyptian nationalism is involved in the development of tropical Africa. While the Russians have recently intensified both their trade and aid campaign, they have had no marked success so far. Nevertheless, the National Planning Association, which is devoted to planning by Americans in agriculture, business, labor and the professions, declares that its study shows that Russia should not be underestimated.

"In the countries bordering on the Sahara, Egyptian nationalism has certain advantages over communism in that its appeal is directed toward fellow Moslems and fellow Africans," said the organization. Soviet communism and Egyptian nationalism are today both competitors and collaborators in tropical Africa, particularly in those countries still under European rule. In the absence of adequate economic and political development, traditional African society would be at a serious disadvantage in resisting either, much less both, of these two aggressive forces."

Rapid De-Colonization

Perhaps the paramount reason for accelerating African development is the progress now being made toward independence or self-government. Ethiopia and Liberia have always been free. In recent years the Sudan and Ghana have attained independence; Nigeria, Somalia and the Central African Federation are scheduled soon to follow; and Sierra Leone, Ugande, Tanganyika and Kenya will ultimately do so. In French West Africa steps have been taken to grant powers to African political institutions. Only in Portuguese and Spanish Africa has nothing yet been done to start the Africans on the long road to political development.

So far private American investment in tropical Africa has been on a comparatively small scale. Some of the large corporations in this country have invested in mining and manufacturing activities in the Congo, the Rhodesias, and French Afica. However, in most cases the investments have been made as minority interests without managerial responsibilities.

Actively-managed private American investment is largely concentrated in mining, plantation, and related activities in Liberia, and in petroleum distribution, plus air and sea transportation facilities.

Friendly to U. S. Capital

Some of the advisers of the White House express the belief that minority investments by American investors is a sound thing. Local mangement is also sound and it does not arouse resentment by trouble makers. So far, the independent African governments have generally been friendly to private American capital. Liberia, in particular, has taken positive steps to encourage its flow.

Spokesmen for the Eisenhower Administration, who have made a tour of Africa this year, say the airports in Africa are modern and have long runways. New hotels are being constructed, and the food is good in many places. They feel that the programs of the United States Government need to be complemented by participation of American business firms in the process of African development.

There appears to be no doubt that there are tremendous opportunities for American business firms. Informed people in the government in Washington feel that American business firms are likely to have a prosperous and reasonably secure future in tropical Africa as long as they equal or surpass the records of the outstanding European and American countries now operating there.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"After many months of intensive psychoanalysis I've concluded the most effective treatment for him would be a good boot in the pants!"

With J. Sturgis May

HIGH POINT, N. C. — Frances P. Brown has joined the staff of J. Sturgis May & Co., Security National Bank Building.

Business Man's Bookshelf

Account Numbering and Check Imprinting for Mechanized Check Handling — Bank Management Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper), 50 cents.

Air Conditioning and Refrigeration—Essential to our Nation's Health, Productivity, Defense—Air-Conditioning and Refrigeration Institute, 1346 Connecticut Avenue, N. W., Washington 6, D. C. (paper), 75 cents.

Amsterdam Bank—Quarterly Review — Amsterdmasche Bank, Amsterdam, The Netherlands., (paper).

Availability of White Collar Personnel in Weschester County — Floyd Albert, Bernard Berkowitz and Takuya Maruyama—The Country Trust Company, White Plains, N. Y. (paper).

British Government Publications, April 1958—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y. (paper), 45 cents per year.

Congressional Action on Transportation — Excerpts from editorial comment—Association of American Railroads, Washin ton, D. C. (paper).

Connecticut: The Key to the Ma kets of the Northeast — Co necticut State Developme Commission, State Office Buil ing, Hartford 15, Conn. (paper

Current Economic Comment, Ma 1958 — Containing articles o Employment, Inflation and th Distribution of Income; Execu tive Personality and Psycho logical Testing; Relationship o Population Changes to Eco nomic Prosperity; Effect of Common Market on the Rela tive Growth of European Econ omies; Technological Chang and Unemployment; Impact o Automation on the Stability o Manufacturing Employmen etc.—Bureau of Business Re search, University of Illinoi Urbana, Ill. (paper), on reques

Executive's Guide to Accountin —Harry S. Wittner—Prentice Hall, Inc., 70 Fifth Avenue, Ne York 11, N. Y. (cloth), $7.50.

Foreign Economic Policy for th Twentieth Century — Speci Studies Project, Rockefell Brothers Fund, Inc., 22 We 55th Street, New York, N. Y

Foreign Trade Trends: America Iron and Steel Industry 195 1957—American Iron and Ste Institute, 150 East 42nd Stree New York 17, N. Y. (paper), 5 cents.

Introduction to Securities Regula tion — Allen D. Choka — Twen tieth Century Press, Inc., 4 South Clinton Street, Chicago Ill. (cloth), $4.

Investment Banking—Merwin Waterman—Bureau of Busine Research, University of Michi gan, Ann Arbor, Mich., $4.

Investment Companies, 1958 Ed tion — Arthur Wiesenberger Arthur Wiesenberger & Com pany, 61 Broadway, New Yor 6, N. Y. (cloth), $25.

Jet Airliner: Investment for Na tional Security—Air Transpo Association of America, 10 Connecticut Avenue, N. W Washington 6, D. C. (paper on request.

Long Range Planning for Ma agement—David W. Ewing, Ed tor—Harper & Brothers, 49 Ea 33rd Street, New York 16, N. (cloth), $6.50.

New York City Occupation Wage Survey, April 1958—Pr liminary report — U. S. Depar ment of Labor, Bureau of Labo Statistics, 341 Ninth Avenu New York 1, N. Y., on reques

1957 Loss and Expense Ratios— New York State Insurance D partment, Albany, N. Y., $1.

Oil in Alaska — Report prepere by Erie Natural Gas Co., Inc. Robert D. Eckhouse & Assoc ates, 1125 Madison Avenue, Ne York 28, N. Y., on request.

On the Job Trading—A Practic Guide — Small Business Bull tin No. 3—New York State D partment of Commerce, 1 State Street, Albany 7, N. (paper), on request.